

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: September 24, 2019**

REGULAR  CONSENT  EFFECTIVE DATE June 23, 2019

**DATE:** September 17, 2019

**TO:** Public Utility Commission

**FROM:** Mitchell Moore

**THROUGH:** Jason Eisdorfer, John Crider **SIGNED**

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket No. UM 1708(4)) Requests Reauthorization for Deferred Accounting Related to Two Residential Demand Response Pilots.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Portland General Electric's (PGE or Company) application for reauthorization of deferred accounting for costs related to two Residential Demand Response Pilots (Pilots) for the twelve month period from June 23, 2019 to June 22, 2020, subject to the conditions as outlined in this report's conclusion.

**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 authorizes the Commission to allow utilities to defer expenses or revenues for later amortization into rates to appropriately match ratepayer costs and benefits or to minimize the need for rate changes. OAR 860-027-0300 specifies several requirements related to deferred accounting applications as well requests to amortize the deferred amounts. 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, and it was most recently reauthorized in Order No. 18-381.

## Analysis

### *Background*

PGE implemented two residential demand response pilots that the Company believes will best inform development of future demand response (DR) programs to be utilized as dispatchable resources during system peak loads as well as ease the integration of renewable energy sources. PGE began operating the two pilots in the third quarter of 2015. The goal of the pilots through 2020 is to implement at least 77 megawatts of demand response in the winter months and 69 MW in the summer months, while working to reach demand response high case targets of 162 MW (summer) and 191 MW (winter).<sup>1</sup>

### *FLEX 2.0*

The first pilot is the Pricing and Behavioral Response Pilot, known as FLEX. The first stage of this pilot, referred to as FLEX 1.0, began by testing 12 pricing design options, all aimed at reducing residential peak demand during summer and winter months. This stage concluded in 2018. After an independent evaluation of the first stage, PGE proposed moving forward by developing FLEX 2.0 as an opt-in scalable demand response pilot with appropriate Time-of-Use (TOU) prices and Peak Time Rebate (PTR).

PGE received Commission approval in April 2019 to update Schedule 7 to include FLEX 2.0 pricing in Advice No. 19-03. Since then, PGE has enrolled approximately 18,000 customers as of the filing date of this application, and estimates a total enrollment of 55,000 by year-end 2019.

### *Direct Load Control Thermostats*

The second residential DR pilot in this deferral filing is the Direct Load Control Thermostat (DLCT) pilot. This pilot tests enabling thermostat technology to achieve automated load control among residential customers. PGE contracted with Nest as part of the DLCT pilot to launch Rush Hour Rewards in November 2015. PGE expanded upon this with a second element of the DLCT pilot, Bring Your Own Thermostat (BYOT). This second element launched in August of 2017 and expanded on Rush Hour Rewards.

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<sup>1</sup> Order No. 17-386, p. 9.

Current participation levels for the DLCT pilot are 3,500 customers. PGE projects this number to increase to 8,000 customers within the next year.

*Proposed Accounting:*

PGE proposes to continue recording the deferred costs as a regulatory asset in FERC account 182.3, with a credit to FERC Account 456, Other Revenue.

*Estimated Deferrals in Authorization Period:*

**Cost per Pilot**

<b>Pilot</b>	<b>2019 Estimate</b>
FLEX Pricing	\$2.9 million
DLCT	\$3.2 million
<b>Total</b>	<b>\$6.1 million</b>

*Information Related to Future Amortization:*

- Earnings Review – ORS 757.259(5) exempts amounts collected through an automatic adjustment clause from being subject to an earnings test.
- Prudence Review – No less than 90 days prior to filing to adjust tariff rates, 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 – Staff anticipates that there will be no sharing between PGE and its customers for this deferral.
- Rate Spread/Design – Rate spread/rate design is determined according to the terms set out in Schedule 135.
- 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

While this application for deferred accounting sees substantial estimated costs in 2018 and 2019, the costs appear appropriate given the increased complexity of the pilots and the forecasted participant growth. Staff concludes the DR Pilots 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.

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 and should be approved, subject to the following conditions:

PGE must:

1. At least annually, and not less than 90 days prior to the filing to adjust schedule 135 tariff rates, submit program costs (including forecasted program costs) to Staff for review of prudence.
2. No less than 90 days prior to filing to adjust tariff rates, hold at least one workshop to present pilot costs, findings, and any design updates.
3. No less than 90 days prior to filing to adjust tariff rates, submit two combined reports on the pilots, which will provide third-party evaluations, cost summaries, estimated curtailments, and results of customer satisfaction surveys.

### **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, 2019, to June 22, 2020, subject to the conditions outlined in this report's conclusion.