

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 14, 2021**

REGULAR CONSENT EFFECTIVE DATE November 5, 2021

DATE: December 6, 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 1976(3))
Requests reauthorization to defer expenses related to PGE's Demand Response Testbed Pilot.

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE or Company) application to reauthorize deferral of incremental costs associated with the Company's Demand Response (DR) Testbed Pilot for the 12-month period beginning November 5, 2021.

DISCUSSION:

Issue

Whether the Commission should approve Portland General Electric's application to defer for later rate-making treatment of development and operations expenses related to its DR Testbed Pilot.

Applicable Rule or Law

In accordance with ORS 757.259(2), utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs. OAR 860-027-0300(4) requires the utility to provide certain information in an application to defer, such as the reason for the deferral and estimated amount of the deferral.

ORS 757.269(2)(e) and (4). Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. ORS 757.259(4); OAR 860-027-0300(9).

The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility. ORS 757.259(5).

Analysis

Background

PGE developed its DR Testbed Pilot pursuant to Commission Order No. 17-386.¹ The Order required PGE to establish a process to accelerate the development and deployment of DR, acquire these resources with at least 25 percent customer participation, and demonstrate the ability of DR to function as a grid resource. The Testbed includes a limited geographic area served by three PGE substations, allowing for focused outreach efforts.

The Testbed was developed and reviewed through the DR Review Committee (DRRC)² to advance understanding and development of DR to provide a demand side resource capable of substituting for more economically and environmentally costly supply side resources.

In April, 2019 the Commission approved PGE's Schedule 13, under which all residential customers in the Testbed were enrolled in PGE's existing residential Peak Time Rebate pilot with the ability to opt out.

In June 2019, PGE filed its formal Testbed Proposal. The Company proposed Phase I of the Testbed as a two-and-a-half year pilot to test customer engagement strategies across all sectors, new DR technologies, and incentive structures. In accordance with the Proposal, PGE has been testing different customer value propositions, developing community relationships with Diversity, Equity, and Inclusion (DEI) consultants,

¹ See Docket No. LC 66, PGE's 2016 Integrated Resource Plan.

² The DRRC is an entity formed pursuant to Commission Order No. 17-386 to assist in the development and success in PGE's DR activities. Entities seated on the DRRC include: Commission Staff, Energy Trust of Oregon, Northwest Energy Efficiency Alliance, Northwest Power and Conservation Council, Citizens Utility Board of Oregon, Northwest Energy Coalition, Smart Grid Northwest, and Alliance of Western Energy Consumers.

modeling disaggregation of residential load by end use, and testing different nonresidential outreach channels.

In October 2020 the Commission approved adding two voluntary incentive options to Schedule 13 for direct load control of residential heat pump water heaters using different communication technologies and direct load control of ductless heat pumps using smart thermostats. Within the Testbed, PGE has also focused on achieving high penetration of the Energy Partner nonresidential DR pilots offered under Schedules 25 and 26. The costs for delivering Energy Partner and other system-wide DR offerings within the Testbed at high penetration are included in the operating costs of the Testbed budget.

Phase I of the Testbed ends after 2021, with the final evaluation to be completed early in 2022. In November 2021, the Commission approved Phase II of the Testbed, a five-year extension and expansion into six new research areas.³ In the current filing, PGE requests deferred accounting only for costs incurred during the next 12 months to complete the Phase I work and evaluation. PGE will seek authorization for accounting treatment of the upcoming Phase II costs in a separate filing.

Description and Estimate of Amounts

PGE expects to incur a total of \$2.9 million over the two-and-a-half year Phase I period. To date, PGE has incurred approximately \$1.4 million, and forecasts an additional \$0.37 million to be spent in the current deferral period.

Development costs include marketing, evaluation and research, and incremental staff costs. Operating costs include materials and equipment, and program incentives. The operating costs represent PGE's existing DR offerings included in the Testbed, at higher participation rates.

Reason for Deferral

PGE seeks deferred accounting treatment of the development and operating costs associated with the DR Testbed Pilot pursuant to ORS 757.259(2)(e). These costs are not currently in base rates, and granting this application would minimize the frequency of rate changes and appropriately match the costs and benefits to customers.

Proposed Accounting

PGE proposes to record the deferred amounts as a regulatory asset in FERC Account 182.3, Other Regulatory Assets, with a credit to FERC Account 456, Other Revenue.

³ See Order No. 21-444 in Docket No. UM 1976, issued December 2, 2021.

Information Related to Future Amortization

- Earnings Review – PGE proposes that cost recovery associated with the DR Testbed Pilot be amortized through Schedule 135 and not subject to an earnings review since it would be subject to an automatic adjustment clause.
- Prudence Review – The prudence review should include verification of the accounting methodology used to determine the final amortization balance. PGE will submit third-party evaluation reports on the Pilot, which will include cost summaries, estimated curtailment amounts, and results of customer satisfaction surveys.
- Sharing Percentages – All prudently incurred costs are to be recoverable by PGE with no sharing mechanism.
- Rate Spread/Design – Applicable costs will be allocated to each schedule using the applicable schedule’s forecasted energy on the basis of an equal percent generation revenue applied on a cents-per-kilowatt hour basis.
- Three Percent Test (ORS 757.259(7) and (8)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. This 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. The amortization of the pilot costs will be subject to the three percent test.

Conclusion

Staff concludes PGE’s request to defer costs associated with the DR Testbed Pilot is consistent with ORS 757.259 and OAR 860-027-0300, and should be approved by the Commission.

PROPOSED COMMISSION MOTION:

Approve PGE’s application to reauthorize deferral of incremental costs associated with the DR Testbed for the 12-month period beginning November 5, 2021.