

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 3, 2019**

REGULAR CONSENT EFFECTIVE DATE November 5, 2018

DATE: November 25, 2019

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Michael Dougherty and John Crider **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1977)
Requests authorization to defer expenses related to PGE's Demand Response Testbed Pilot.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve PGE's application to authorize deferral of incremental costs associated with the DR Testbed Pilot for the 12-month period beginning November 5, 2018, and reauthorize deferred accounting for the 12-month period beginning November 5, 2019.

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 Demand Response 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, estimated amount of the deferral, etc.

Analysis

Background

PGE developed its Demand Response 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 Demand Response (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 was developed and reviewed through the Demand Response 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.

To accelerate development and deployment of DR, PGE is currently offering the following cost-effective programs: Rush Hour Rewards, Thermostat Installation, Water, Time of Use Pricing, Peak Time Rebate, and Business and Government Energy Partner.

In April, 2019 the Commission approved PGE's Schedule 13, which provides an enrollment and communication mechanism for the pilot.

In June 2019, PGE filed its formal Testbed Pilot proposal. The Company proposes a two-and-a-half year pilot. Although the Commission Order initiating the pilot established a 25 percent customer participation rate, PGE's set an aggressive goal to achieve a 66 percent residential customer participation rate, and a 25-40 percent commercial participation rate.

Description and Estimate of Amounts

PGE expects to incur a total of \$5.86 million over the life of the project. To date, PGE has incurred approximately \$265,000, and forecasts an additional \$1.8 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

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.

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.

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.

Docket No. UM 1976(1)
November 25, 2019
Page 4

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 authorize deferral of incremental costs associated with the DR Testbed for the 12-month period beginning November 5, 2018, and reauthorize deferred accounting for the 12-month period beginning November 5, 2019.

UM 1976(1) DR Testbed Pilot deferral