

frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

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.

Analysis

Background

PGE submitted this filing to the Commission on April 24, 2023 requesting reauthorization to defer for later rate-making treatment incremental operation and maintenance (O&M) costs associated with the Residential Battery Storage Pilot. The Pilot objective is to install and connect up to four megawatts (MWs) of power at customer-owned residential energy storage batteries, behind the meter.

The battery fleet will provide grid services and add flexibility in support of PGE's transition to a cleaner energy future. In an outage event, the batteries could island from the grid and provide the customer energy, improving resiliency. Via this Pilot, PGE is pursuing efforts to decarbonize its energy supply, increase electricity as a share of total energy use, and enhance operational performance and efficiency, in alignment with Oregon decarbonization policy.

The Pilot was initially developed in response to legislation. In September 2015, the Commission opened Docket No. UM 1751 to implement House Bill 2193 (2015),¹ which required PacifiCorp and PGE to submit proposals to develop qualifying energy storage systems with the capacity to store at least five megawatt hours of energy. The Commission subsequently opened UM 1856 to investigate PGE's energy storage proposals. Staff reviewed the Pilot proposal in Docket No. UM 1856, and the Pilot is subject to the conditions set forth in Order No. 18-290.²

¹ 2015 Oregon Laws Chapter 312.

² See Commission Order No. 18-290, Appendix A, at: <https://apps.puc.state.or.us/orders/2018ords/18-290.pdf> for a listing of the stipulated conditions PGE must meet.

Pursuant to Commission Order No. 18-290, PGE filed an addendum to the energy storage proposal on January 25, 2019. After subsequent discussions with OPUC Staff, PGE submitted its final Residential Energy Storage proposal on March 12, 2020.³ Then, PGE submitted operational tariff Schedule 14 and received Commission approval on June 30, 2020, with an effective date of August 1, 2020.

In this filing, PGE reflected upon Pilot learnings and noted that the Company received approval in 2023 to change the Pilot structure.⁴ Effective May 15, 2023, the Smart Battery Pilot changed its incentive structure to encourage additional customers to install batteries and provide ongoing incentives for performance during dispatch instead of flat, monthly credit.

PGE noted that its carveout of 25 income-qualified rebates of \$5,000 apiece were all claimed. However, the market-rate incentive of \$3,000 did not motivate adequate demand. In PGE's Smart Grid Testbed, the Company has a locational density goal, and thus increased the upfront incentive to \$405 per kWh of nominated capacity, a significantly higher incentive than previously. The rebates available are capped at 960 kWh of nominated capacity to stay within the allotted budget.

PGE submitted an Assessment of the first three years of Pilot operation on October 25, 2023, in Docket No. UM 1856.⁵ The Company noted a dispatchable potential of 2,078 kWh across 158 customers, with some evidence to suggest an increase in new installs after the incentive changes.

In accordance with Commission Order No. 18-290, no administrative or evaluation costs associated with the entire portfolio of battery storage projects are requested for deferral. PGE will amortize this deferral through Schedule 138, which is an automatic adjustment clause (AAC) rate schedule as approved in PGE's 2022 general rate case (UE 394) through Commission Order No. 22-129. More specifically, the AAC will provide cost recovery for the referenced Pilot with amounts from the balancing account being updated in Schedule 138 rates annually.

³ See PGE's proposed Residential Battery Storage Pilot at:
<https://edocs.puc.state.or.us/efdocs/HAD/um1856had151844.pdf>.

⁴ See ADV 1470 for this approval at:
<https://apps.puc.state.or.us/edockets/docket.asp?DocketID=23555>.

⁵ See Docket No. UM 1856, *Annual Energy Storage Update for 2023*, (Oct. 15, 2023),
<https://edocs.puc.state.or.us/efdocs/HAD/um1856had151748.pdf>.

Estimated of Amounts to be Recorded for the Next 12 Months

As shown in Table 1 below, PGE estimates total deferrable costs to be approximately \$1.8 million over the Pilot’s five-year period. The estimated cost for 2023 is \$515,436. This residential battery storage pilot cost will be recovered through the AAC and associated deferral.

**Table 1
 Residential Battery Storage Pilot Cost Summary (\$)**

Category	2020 (Actuals)	2021 (Actuals)	2022 (Actuals)	2023 (Forecast)	2024 (Forecast)	2025 (Forecast)	Total
O&M Costs							
Incentives Paid	1,112	19,102	80,097	320,000	270,000	75,000	765,311
Program Costs	17,700	147,103	104,458	192,375	216,450	152,854	830,940
Aggregation & Dispatch	44,726	143,050	15,148	3,061	3,635	3,970	213,591
Total Costs	63,538	309,256	199,703	515,436	490,085	231,824	1,809,842

Reason for Deferral

Pursuant to ORS 757.259(2)(e), and for the reasons discussed above, PGE seeks deferred accounting treatment for the Pilot. The granting of this Application will minimize the frequency of rate changes and/or match appropriately the costs borne by and benefits received by customers.

Proposed Accounting

PGE proposes to record the deferral as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets) and credit the appropriate FERC expense accounts. When specific identification of the source of the regulatory asset cannot be reasonably made, then FERC Account 407.4 (Regulatory Credits) will be credited. In the absence of a deferred accounting order, the costs would be debited to the appropriate cost accounts.

Information Related to Future Amortization

- Earnings Review – Since this is an AAC, recovery of costs associated with the Pilot will not be subject to an earnings review under ORS 757.259(5).
- Prudence Review – A prudence review should be performed by the Commission Staff as part of PGE’s amortization filing.
- Sharing – All prudently incurred cost will be collected from customers with no sharing mechanism.

- Rate Spread/Rate Design – Applicable costs will be allocated to each schedule using the applicable schedule’s forecasted energy on the basis of an equal percent of revenue applied on a cents-per-kWh basis.
- Three percent test (ORS 757.259(6)) – Since this is an AAC, the amortization of the Pilot’s deferred costs will not be subject to the three percent test in accordance with ORS 757.259(6) and (8), which limits 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 its Residential Battery Storage Pilot is consistent with ORS 757.259 and OAR 860-027-0300 and should be approved, subject to the following conditions.

1. The Company at least annually, and not less than 90 days prior to the filing to adjust Schedule 138 tariff rates, submit program costs (including forecasted program costs) to Staff for review of prudence, and;
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, and
3. Ensure that modifications to this Pilot are integrated into the “after year 3” comprehensive reporting requirement identified in UM 1856 and Order No. 20-208.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve PGE’s application for reauthorization of deferral of costs associated with the residential battery energy storage pilot under Schedule 14, effective April 21, 2023, subject to Staff recommendations.