

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1514, UE 229

In the Matters of

PORTLAND GENERAL ELECTRIC  
COMPANY'S

Application for Deferral of Incremental  
Costs Associated with Automated  
Demand Response (UM 1514)

and

Application for Mechanism to Recover Costs  
to Implement and Operate Automated Demand  
Response Program (UE 229)

ORDER

DISPOSITION: STIPULATION ADOPTED

**I. INTRODUCTION**

In this order, the Public Utility Commission of Oregon (Commission) approves a stipulation that resolves issues relating to Portland General Electric Company's (PGE) application for deferral of incremental costs associated with a proposed automated demand response (ADR) pilot program. The issue of rate spread for the associated tariff will be addressed in a separate proceeding.

**II. PROCEDURAL HISTORY**

On December 29, 2010, PGE filed an application for deferral of incremental costs associated with an ADR program.<sup>1</sup> The deferral would cover incremental costs associated with the program pilot, estimated to cost \$6.1 million over the first two years and, if renewed for a remaining period, a total of \$8.2 million. These costs represent O&M expense for the program, including development costs and program evaluation.

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<sup>1</sup> PGE's application for deferral was filed in Docket UM 1514. PGE's application for approval of Advice No. 10-29, the automatic adjustment tariff under which PGE would collect costs of the program, was filed in Docket UE 229. The two dockets are addressed together in this order. The prices in the tariff are currently set at zero, and will be changed only upon later Commission authorization.

On May 2, 2011, PGE, the Citizens' Utility Board of Oregon (CUB), and the Commission Staff (Staff) (the "stipulating parties") filed a stipulation agreeing that the proposed ADR pilot program is reasonable and prudent and that PGE's proposed cost recovery mechanism is appropriate.<sup>2</sup> The Industrial Customers of Northwest Utilities (ICNU), the only remaining party to this docket, neither supports nor opposes the stipulation.<sup>3</sup>

The stipulating parties ask the Commission to approve the stipulation, which includes approval of the deferral application and the associated cost-recovery tariff, Advice No. 10-29. The stipulation is attached to this order as Appendix A.

### III. THE STIPULATION

#### A. Description of the ADR Program

PGE's proposed ADR program is a pilot program that will allow for automatic load curtailment for participating non-residential customers during critical events. A third-party operator will operate the program. It is designed to deliver 10 megawatt (MW) of capacity benefits in its first year (starting in late 2011), at least 20 MW of capacity benefits in the second year, and a total of 43 MW by December 2013.

Eligible customers will include PGE customers on Schedules 47 and 49 (small and large non-residential irrigation and drainage customers); and Schedules 83, 85, and 89 (large non-residential standard service customers on various schedules with demands ranging from as low as 31 kW to over 1000 kW).

PGE explains that the program is intended to operate as a capacity resource during critical events, such as large load increases (typically caused by extreme weather), large declines in generation (such as a generator going off-line or a sudden decline in wind generation), or significant regional transmission constraints.

When such an event occurs, PGE will notify the third-party provider. The provider will notify participating customers, and within ten minutes of that notification, automatically reduce customer load using installed equipment and infrastructure. Under the pilot program, the ADR will be limited to 15 events per summer or winter season, with only one to four hours per event, and no more than 40 hours per season. There can be no more than one event called per day, and events cannot occur more than two days in a row.

PGE selected the provider after a request for proposal (RFP) process described in the stipulation. According to PGE, the chosen provider, RTP Controls, is a nationally recognized leader in ADR programs. RTP Controls will be the primary contact for retail customers. It will also have ultimate responsibility for delivering committed load reductions,

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<sup>2</sup> The stipulating parties also filed joint testimony in support of their stipulation on May 2, 2011. An amended stipulation was filed on May 3, 2011, adding an exhibit that had been inadvertently omitted. References in this order to the "stipulation" include the entire stipulation, including the May 3 additions.

<sup>3</sup> During the course of negotiations with the parties, ICNU objected to the rate spread proposed. As noted, that issue is removed from this docket and will be addressed in a separate proceeding.

handling all communications, handling equipment and facilities, providing incentive payments, and providing related customer support activities.

RTP Controls will also be responsible for recruiting customers, notifying PGE of participants, and advising PGE of projected load reductions by customer. PGE will approve all offers in advance and perform testing to verify customer participation and expected load reduction. RTP Controls will also be contractually responsible for hitting certain program targets, as the contract calls for penalties for underperformance.

#### **B. Stipulated Assertions Regarding Program Evaluation and Cost Recovery**

As noted above, PGE expects to incur approximately \$6.1 million in costs by April 2013, and \$8.2 million by the end of 2013.

Both Advice No. 10-29, the tariff for which the stipulating parties seek approval, and the deferral authorization itself, would be effective for a twelve-month period beginning January 1, 2011, and would continue to run through 2013 subject to certain conditions regarding the program's effectiveness. If the ADR program turns out to be cost-effective in providing the expected capacity, Staff and CUB agree to support PGE's request to include the costs of the program in PGE's Annual Update Tariff (AUT) filings thereafter.

There are some conditions, however, that would prevent the program from running until the end of 2013. The conditions are described below.

- At two points in time, one prior to January 1, 2012, and another prior to January 1, 2013, PGE will apply to the Commission for reauthorization of the deferral of the ADR pilot costs.
- The ADR program will be subject to interim evaluations to assure it is operating appropriately. Under the terms of the stipulation, a third-party contractor will provide two formal evaluations of the program: one after the summer of 2012, and another after the summer of 2013. In addition, PGE will provide Commission Staff with interim status reports on the program's effectiveness in reducing load.<sup>4</sup>
- If prior to April 30, 2013, Commission Staff or CUB concludes that the ADR pilot does not provide capacity benefits at a reasonable cost, Staff or CUB may recommend that the Commission decline to authorize deferral of program costs incurred beginning May 1, 2013.<sup>5</sup>

<sup>4</sup> PGE and Staff agree to coordinate to determine what information should be provided in the reports. But they agree the reports will be provided no later than 45 days after the end of each of the pilot program's operating seasons. These seasons are defined as (1) December 2011 through February 2012 (winter 2011-2012); (2) July 2012 through September 2012 (summer 2012); (3) December 2012 through February 2013 (winter 2012-2013); (4) July 2013 through September 2013 (summer 2013); and (5) December 2013.

<sup>5</sup> If Staff or CUB opposes deferral of program costs beginning May 1, 2013, PGE may terminate the agreement with the ADR provider or contest Staff's or CUB's recommendation.

With respect to a cost-recovery mechanism, the stipulating parties seek approval of an automatic adjustment clause for cost recovery for the pilot. They assert that automatic adjustment clauses are typically applied pursuant to previous Commission decisions or statutory authority, and that the ADR program is a direct result of Order No. 08-235 and PGE's recently acknowledged integrated resource plan (IRP).<sup>6</sup> They note that the ADR pilot is scheduled to last for more than one year. At the end of the pilot, they propose having subsequent ADR costs flow through PGE's AUT, so an automatic adjustment clause would allow for similar treatment during the pilot and later program phases.

### C. Justification for the Program

The stipulating parties assert that the program is reasonable and appropriate for a number of reasons.

- **Consistent with Prior Commission Order.** The stipulating parties note that PGE's advanced metering infrastructure (AMI) project was approved in 2008. A stipulation with certain conditions was adopted in that docket, including the requirement that PGE include demand-response planning in its IRP and that the company develop demand-response programs.<sup>7</sup> The ADR program described in this docket is consistent with these requirements.<sup>8</sup>
- **Consistent with PGE's 2009 IRP.** The stipulating parties note that PGE's ADR program was anticipated and described in PGE's 2009 IRP, which received Commission acknowledgment.<sup>9</sup> The ADR program will help replace expiring capacity resources and increasing capacity needs as identified in the 2009 IRP, and will help PGE meet increasing reserve requirements for intermittent wind generation.
- **Reasonable Cost.** The stipulating parties assert that the costs for this ADR program are expected to be approximately equal to that of a single-cycle combustion turbine (specifically, an LMS100 CT), on an average levelized cost basis. They assert that this resource is the appropriate one for purposes of cost comparison.

If the targeted capacity responses are achieved and other assumptions hold true, then approximately \$5.2 million of the projected costs (of the full projected \$8.2 million) can be justified as providing valuable incremental critical-event capacity. In other words, the stipulating parties agree that less than \$3 million of the \$8.2 million can be attributed to "learning" and the absence of economies of scale. That \$3 million pays for, among other things, investments in setting up administrative processes, providing infrastructure and equipment, and incurring costs to secure customer participation. The stipulating parties assert that these anticipated costs are reasonable.

<sup>6</sup> Dockets UE 189 and LC 48, respectively.

<sup>7</sup> See Order No. 08-245, Docket UE 189 (Request to add Schedule 111, Advanced Metering Infrastructure).

<sup>8</sup> *Id.* at Appendix A, pgs. 11-13.

<sup>9</sup> See PGE's 2009 IRP at Ch. 4 (Demand-Side Options), acknowledged in Order No. 10-457 (Docket LC 48).

- **Numerous Policy Reasons to Implement ADR Program.** The stipulating parties assert that the ADR program is a least-cost, demand-side, carbon-free capacity resource. It is environmentally green, increases system reliability, contributes to a diverse resource mix, can be incremental (by MW), and is less expensive than most long-term, alternative capacity resources. While investment in CT capacity, rather than demand-side capacity, would provide certain benefits that demand-side resources do not (such as the ability to make off-system sales), the stipulating parties assert that the ADR program will provide diversity to PGE's portfolio at a limited cost, without the known risks related to investment in thermal production capacity.
- **Experienced Provider.** The selected provider is a national leader in demand response programs with a proven track record.
- **The Program May Lead to Additional Developments.** The stipulating parties assert that the provider's experience with curtailable customers may lead to the development of additional energy efficiency measures. If the program is effective, it could also potentially be expanded to areas of Oregon outside PGE's service territory. Finally, the program will help determine the effectiveness of demand-side programs in general.
- **PGE Retains White Tags.** Under the terms of the contract with RTP Controls, the stipulating parties explain, PGE retains any white tags earned from the implementation of the program. The stipulation requires PGE to bank any such white tags in a manner similar to renewable energy credits. Any sales of white tags will be reported to PGE's balancing account for property sales as a refund to PGE's ratepayers.

#### IV. CONCLUSION

The stipulation filed by Staff, CUB, and PGE in this docket, which seeks approval of PGE's application for deferral of incremental costs associated with the proposed ADR pilot program, and approval of the associated tariff, is not opposed by any party. The lack of opposition, along with our previous orders encouraging PGE to invest in an ADR program like this one, are relevant to our approval of this stipulation. This type of program has been anticipated since PGE's AMI was approved in 2008. Moreover, the stipulating parties expect that, under this pilot program, PGE will be able to deliver demand-response capacity at a reasonable cost.

Based on these facts, we believe it is appropriate to allow PGE to defer the costs of the pilot program. Moreover, there are several junctures during the pilot program during which both the parties and the Commission will have an opportunity to examine and critically evaluate the costs and performance of the program before recommending that it continue, or before any deferred costs are collected in rate.<sup>10</sup>

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<sup>10</sup> We clarify that this order merely allows PGE to defer the costs associated with the ADR pilot program. The amounts in the deferred account will be scrutinized before PGE will be allowed to collect the balance from ratepayers.

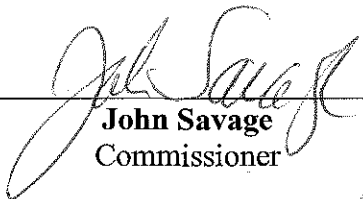
Based on our conclusions above, and our review of the stipulation and supporting documents, we agree with the stipulating parties that the stipulation is reasonable and should be adopted.

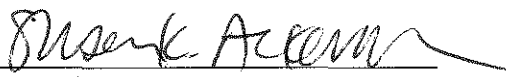
V. ORDER

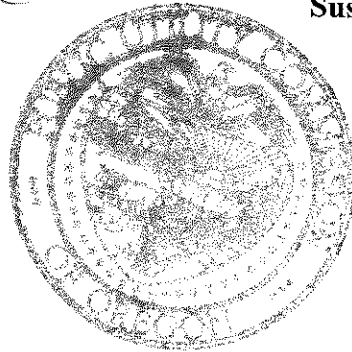
IT IS ORDERED that:

1. The stipulation among Portland General Electric Company, the Citizens' Utility Board of Oregon, and the Staff of the Public Utility Commission of Oregon, attached as Appendix A, is adopted.
2. Advice No. 10-29 is approved with a June 15, 2011 effective date.

Made, entered and effective JUN 01 2011.

  
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**John Savage**  
 Commissioner

  
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**Susan K. Ackerman**  
 Commissioner



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1514**

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC COMPANY	)	<b>STIPULATION</b>
	)	
Application for Deferral of Incremental Costs	)	
Associated with Automated Demand Response	)	

This Stipulation (“Stipulation”) is among Portland General Electric Company (“PGE”), the Citizens’ Utility Board of Oregon (“CUB”), and Staff of the Public Utility Commission of Oregon (“Staff”) (collectively, the “Stipulating Parties”).

**I. INTRODUCTION**

On December 29, 2010, PGE filed its Application in this docket, along with tariff sheets (Advice Filing 10-29), for recovery through an automatic adjustment clause of incremental costs associated with implementing a pilot Automated Demand Response (“ADR”) program. The initial tariff filing has zero rate recovery request and serves as a placeholder for the structure of the recovery mechanism related to the ADR program. The Stipulating Parties agree that PGE will update the rates associated with recovery of the tariff after June 15, 2011 for rate implementation January 1, 2012. The ADR program is designed to provide a capacity resource that is reasonably priced and produces no emissions. The ADR pilot program will run through the end of 2013 and be operated by a third-party provider that will deliver 10 MW of projected capacity benefits in the first year, beginning in late 2011, and at least 20 MW of capacity benefits in the second year of operation, ramping up to an expected 43 MW by December 2013. The ADR provider

was selected through an RFP process and is a nationally recognized leader in ADR programs. If the pilot program is successful, the ADR program will continue with subsequent Commission approval. The ADR program is described in greater detail in the joint testimony filed in support of this Stipulation.

The parties to Docket No. UM 1514 have held numerous workshops both before and after PGE's initial filing. One of those workshops included representatives of the ADR provider. Staff has also made numerous data requests and PGE has responded to them. Settlement discussions were held on March 1, 2011, and April 4, 2011, and the Stipulating Parties reached settlement on the terms set forth below. The Industrial Customers of Northwest Utilities ("ICNU") participated in the workshops and settlement discussions. ICNU has indicated that it opposes the rate spread portion of Advice Filing 10-29, and neither supports nor opposes the other aspects of this Stipulation. To address ICNU's position, PGE has filed an amended proposed tariff, removing the language regarding spread, and inserting instead a provision stating that the costs will be spread among customers as directed by the Commission. The Stipulating Parties support this amended proposed tariff (See Item 2 in Terms of Stipulation below). It is the parties intent to begin a process soon after approval of this tariff to bring the spread issue to the Commission for decision. Accordingly, the Stipulating Parties request that the Commission issue an order adopting this Stipulation.

## II. TERMS OF STIPULATION

1. This Stipulation settles all issues in this docket except as noted below.
2. The Stipulating Parties agree that the proposed ADR pilot is reasonable and prudent and the proposed cost recovery mechanism is appropriate. Accordingly, the



Stipulating Parties agree that the Commission should approve PGE's Advice Filing 10-29, as amended, and should approve the deferral application in this docket, effective for the twelve-month period beginning January 1, 2011, and request that the Commission do so. The automatic adjustment clause in the tariff, and this associated deferral, are intended to run through 2013 and include the incremental costs of the ADR pilot program, subject to the conditions below. PGE estimates that it will incur approximately \$6.0 million of costs by April 2013, and \$8.2 million by the end of 2013.

3. Prior to January 1, 2012, and prior to January 1, 2013, PGE will apply to the Commission to re-authorize the deferral of costs of the ADR pilot and the Stipulating Parties will support such applications. PGE's 2012 application to defer will only ask to defer costs from January 1, 2013 to April 30, 2013. This shortened deferral request will allow Parties an opportunity to review the performance and terms of the pilot prior to pledging support for recovery of the pilot's costs by ratepayers for the period between April 30, 2013 and December 31, 2013. PGE has filed, and the Parties request that the Commission approve, Supplemental Advice Filing 10-29, removing the cost allocation language and inserting a provision stating that costs will be allocated as directed by the Commission. The proposed amended tariff is attached hereto as Exhibit A. PGE will, after June 15, 2011, file a proposed revised Schedule 135 including the costs of the pilot project and a proposed cost allocation.

4. During and after the pilot period, the ADR program will be evaluated to determine if it is successful and provides capacity benefits at a reasonable cost. Two formal evaluations of the ADR program will be prepared by a third-party contractor; one after the Summer 2012 season, and the second after the Summer 2013 season. In

addition, PGE will provide interim status reports based on internal records regarding the program's effectiveness in reducing load when implemented. PGE and Staff will coordinate to determine the specific information to be provided in these interim reports. The interim reports will be provided no later than 45 days after the end of an operating season.

5. If prior to April 30, 2013, Staff or CUB or both conclude that the interim and final reports discussed in paragraph 4 demonstrate that the ADR pilot does not provide capacity benefits at a reasonable cost, Staff or CUB or both may recommend that the Commission not authorize deferral of program costs incurred on and after May 1, 2013. To allow CUB and Staff this opportunity, PGE will file two requests to defer pilot program costs in 2013, one for a period ending April 30, 2013, and another for a period beginning May 1, 2013.

6. If either Staff or CUB or both oppose PGE's deferral of ADR program pilot program costs incurred on and after May 1, 2013, PGE may either 1) terminate the agreement with the ADR provider, or 2) contest the recommendation of Staff or CUB in the Commission docket initiated by PGE's application to defer ADR pilot program costs incurred on and after May 1, 2013.

7. If Staff and CUB conclude, after the pilot period, that the ADR program is cost effective as well as effective at providing capacity benefits, Staff and CUB will support PGE's request to include the costs of the program in its Annual Update Tariff filings subject to a proceeding that allows parties an opportunity to review the prudence of the costs and the program's benefits. Support by Staff and CUB of the ADR pilot will not be considered precedential when reviewing the ADR program after this pilot phase.

8. The Stipulating Parties agree that PGE should bank any White Tags it earns in the implementation of this pilot on behalf of ratepayers and any sales of White Tags should be filed as property sales in the same manner as Renewable Energy Credits (pursuant to Docket No. UP 236), with the gains on sales of White Tags applied to PGE's Property Sales Balancing Account as a refund to customers.

9. The Stipulating Parties recommend and request that the Commission approve this Stipulation as an appropriate and reasonable resolution of the issues in this docket.

10. The Stipulating Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just, and reasonable.

11. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the Stipulating Parties. Without the written consent of all parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

12. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Stipulating Party reserves its right (i) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation and (ii) pursuant to OAR 860-001-0720, to seek rehearing or reconsideration. Nothing in this paragraph provides any Stipulating Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

13. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-01-350(7). The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to sponsor this Stipulation at the hearing, and recommend that the Commission issue an order adopting the settlements contained herein.

14. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation, other than those specifically identified in the Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

15. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 2nd day of May, 2011.

ORDER NO. 11 182

  
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PORTLAND GENERAL ELECTRIC  
COMPANY

\_\_\_\_\_  
CITIZENS' UTILITY BOARD OF  
OREGON

\_\_\_\_\_  
STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

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PORTLAND GENERAL ELECTRIC  
COMPANY



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CITIZENS' UTILITY BOARD OF  
OREGON

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STAFF OF THE PUBLIC UTILITY  
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PORTLAND GENERAL ELECTRIC  
COMPANY

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CITIZENS' UTILITY BOARD OF  
OREGON



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STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

Portland General Electric Company  
P.U.C. Oregon No. E-18

Original Sheet No. 135-1

**SCHEDULE 135  
DEMAND RESPONSE COST RECOVERY MECHANISM**

**PURPOSE**

This Schedule recovers the expenses associated with automated demand response not otherwise included in rates. This adjustment schedule is implemented as an automatic adjustment clause as provided for under ORS 757.210.

**AVAILABLE**

In all territory served by the Company.

**APPLICABLE**

To all bills for Electricity Service served under the following rate schedules 7, 15, 32, 38, 47, 49, 75, 83, 85, 89, 91, 92, 93 and 94.

**ADJUSTMENT RATE**

The Adjustment Rate, applicable for service on and after the effective date of this schedule are:

<u>Schedule</u>	<u>Adjustment Rate</u>	
7	0.000	¢ per kWh
15	0.000	¢ per kWh
32	0.000	¢ per kWh
38	0.000	¢ per kWh
47	0.000	¢ per kWh
49	0.000	¢ per kWh
75		
Secondary	0.000	¢ per kWh <sup>(1)</sup>
Primary	0.000	¢ per kWh <sup>(1)</sup>
Subtransmission	0.000	¢ per kWh <sup>(1)</sup>
83	0.000	¢ per kWh
85		
Secondary	0.000	¢ per kWh
Primary	0.000	¢ per kWh

(1) Applicable only to the Baseline and Scheduled Maintenance Energy.

Advice No. 10-29  
Issued March 28, 2011  
Maria M. Pope, Senior Vice President

Effective for service  
on and after May 4, 2011

PROPOSED TARIFF DO NOT BILL

APPENDIX  
PAGE 10 OF 11



Portland General Electric Company  
P.U.C. Oregon No. E-18

Original Sheet No. 135-2

**SCHEDULE 135 (Concluded)**

## ADJUSTMENT RATE (Continued)

<u>Schedule</u>	<u>Adjustment Rate</u>	
89		
Secondary	0.000	¢ per kWh
Primary	0.000	¢ per kWh
Subtransmission	0.000	¢ per kWh
91	0.000	¢ per kWh
92	0.000	¢ per kWh
93	0.000	¢ per kWh
94	0.000	¢ per kWh

(1) Applicable only to the Baseline and Scheduled Maintenance Energy.

**BALANCING ACCOUNT**

The Company will maintain a balancing account to accrue differences between the incremental costs associated with automated demand response and the revenues collected under this schedule. This balancing account will accrue interest at the Commission-authorized rate for deferred accounts.

**DEFERRAL MECHANISM**

Each year the Company may file a deferral request. The deferral will be amortized over one year in this schedule unless otherwise approved by the Oregon Public Utility Commission.

**SPECIAL CONDITION**

1. Costs recovered through Schedule 135 will be allocated to applicable rate schedules in a manner approved by the Commission.

Advice No. 10-29  
Issued March 28, 2011  
Maria M. Pope, Senior Vice President

Effective for service  
on and after May 4, 2011

**PROPOSED TARIFF DO NOT BILL**

APPENDIX  
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