

ORDER NO. 24-186

ENTERED Jun 12 2024

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 2234(2)

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY,

Application for Reauthorization to Defer  
Costs Associated with the Flexible Load  
Demand Response Pilots.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its public meeting on June 11, 2024, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



**Alison Lackey**

Chief Administrative Law Judge



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 Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA7

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: June 11, 2024**

REGULAR  CONSENT  EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

DATE: May 28, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Russell Beitzel **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:  
(Docket No. UM 2234(2))  
Application to Reauthorize Deferred Accounting of Costs Associated with  
the Flexible Load Demand Response Pilots.

**STAFF RECOMMENDATION:**

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Portland General Electric's (PGE or Company) application to authorize deferred accounting of costs associated with its flexible load demand response pilots for the 12-month period beginning January 1, 2024.

**DISCUSSION:**

Issue

Whether the Commission should re-authorize deferred accounting of costs associated with Flexible Load Demand Response (DR) Pilots.

Applicable Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation into rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include, "utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuations of rate levels or to match appropriately the costs borne by and benefits received by ratepayers."

Docket No. UM 2234(2)  
May 28, 2024  
Page 2

In OAR 860-027-0300(3), the Commission has set the requirements for the contents of deferred accounting applications. Applications for authorization must include a description and explanation of the entries in the deferred account, up to the date of the application for authorization, as well as 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 under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review and review of the utility's earnings. With some exceptions, a company's amortization of amounts deferred under ORS 757.259(5) cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

The approval of PGE's Flexible Load Multi-Year Plan, Commission Order No. 22-023, included direction for PGE to consolidate five demand response pilots and programs into one deferral.

### Analysis

#### *Background*

The Company in alignment with the policies and requirements of the State of Oregon and the Commission, developed demand response pilots to help address decarbonization goals, assist customers in managing their energy consumption and total energy costs, and enhance operational performance and efficiency.

The Company filed its inaugural Flexible Load Multi-Year Plan (MYP) for 2022-2023 in Docket No. UM 2141. In Order No. 22-115, the Commission approved certain elements of PGE's filed Flexible Load MYP, including the consolidation of five pilots under one single deferral authorization.

Subsequently, PGE filed an application in Docket No. UM 2234 to authorize a single, new deferral authorization request for these five pilots, approved by the Commission in Order No. 22-127. The five pilots included in the UM 2234 deferral are:

- Residential Peak Time Rebate (PTR) pilot operating under Schedule 7;
- Residential Time of Day (TOD)<sup>3</sup> program operating under Schedule 7;
- Residential Smart Thermostat program operating under Schedule 5;
- Energy Partner Demand Response program operating under Schedule 26; and

Docket No. UM 2234(2)  
May 28, 2024  
Page 3

- Phase II activities of the Smart Grid Testbed approved by the Commission in Order Nos. 21-444, 23-258, and 23-276.

In addition to these five pilots, the Company also included for the first time supplemental detail on funding of Northwest Energy Efficiency Alliance's (NEEA) End-Use Load Flex Project.<sup>1</sup> Information about each pilot/program is provided below.

*Non-Residential Demand Response Program (PGE Schedule 26)*

This non-residential demand response program is designed to reduce peak demand requirements during specific time windows in the winter and summer seasons by incentivizing customers to reduce their energy consumption during those times.

The Company expects the primary source of this reduced demand (load) will be from large non-residential customers, with an option for small and medium non-residential customers to participate as well. This program provides capacity and may evolve to provide intra-hour grid services to support reliability and renewables integration. As of December 1, 2023, the program has built 35.9 MW of summer capacity and 29.2 MW of winter capacity.

The difference between actual and forecasted Total Customer Incentives is primarily a result of the relatively complex incentive payment structure. During seasonal event months, participants are paid a Reservation Payment when either 1) they meet their participation requirements in all events, or 2) no events are called that month—months where no events are scheduled result in 100 percent of reservation funding being paid to participants. During months with events, up to half of participants typically fail to meet participation targets. The budget outcome is that during months with scheduled events, the program incurs approximately half the incentive.

*Residential Direct Load Control Thermostat (DLCT) Pilot (PGE Schedule 5)*

To participate in the pilot, PGE residential customers must operate a ducted heat pump, electric forced-air furnace, or central air conditioner. As of December 1, 2023, the pilot has built 39.2 MW of summer capacity and 8.5 MW of winter capacity.

*Flex 2.0 – Peak Time Rebate (PTR) and Time of Day (TOD) (PGE Schedule 7)*

The Flex 2.0 Residential Pricing Pilot consists of two offerings: PTR and a TOD rate.

Both provide energy use optimization by shifting use out of high-demand periods to provide peak reduction.

---

<sup>1</sup> Docket No. UM 2141.

Docket No. UM 2234(2)  
May 28, 2024  
Page 4

- PTR: The vast majority of PGE's residential customer base is eligible to participate in PTR. Enrollment has flattened compared to the first years of the program launch but remains steady at around 123,000 residential customers, which is about 15 percent of the residential customer base. The PTR pilot provides educational energy-saving tips and rewards customers for shifting their energy use during typically three-hour "event" periods when energy demand or prices are high. Customers are notified one day prior to the event via text and/or email, based on their preference, and encouraged to shift usage during the event hours the next day. Participants earn \$1.00 for every kWh they shift during an event, and the rebate appears as a credit on their next monthly bill.
- Time of Day (TOD): TOD is available to all of PGE's residential customer base and has approximately 14,650 residential customers enrolled. This is about 86 percent of the original EOY 2023 target of 17,000 enrollments.

*Smart Grid Testbed (SGTB or Testbed) Pilot Phase II (PGE Schedule 13)*

The Company first filed for this deferral via Docket No. UM 1976 on November 5, 2018, first received approval for this pilot via OPUC Order No. 19-425 and has filed for reauthorization and received approvals for the pilot annually thereafter. Phase II of the SGTB is focused on resource development, distributed energy resource (DER) deployment, and operationalizing DERs to demonstrate their viability as resources capable of meeting customer and grid needs. Phase II has six major investigations and project research areas to be rolled out over time:

1. Flexible Feeder
2. Commercial and Industrial, Municipal Flexible Load & Resiliency
3. Distributed Photovoltaics (PV)/Smart
4. Multifamily Bundle
5. Managed Electric Vehicle (EV) Charging/Vehicle-to-Everything (V2X)
6. Single Family New Construction Bundle

*NEEA End-Use Load Flex Project*

The Company provides core funding to the NEEA via its Funding Agreement with the Energy Trust of Oregon (ETO) which serves as a conduit for PGE.

PGE will be contributing funding to a NEEA special project, the 2024-2025 End-Use Load Flex (EULF), to leverage NEEA's expertise to advance flexible load management in the Pacific Northwest. The goal of the EULF is to bring together participants (e.g., PGE, Pacific Power, Avista Utilities, Puget Sound Energy, Tacoma Power, etc.) to identify regional interests and needs, share information to amplify efforts and avoid duplication, develop a comprehensive End-Use Load Flexibility Market Transformation

Docket No. UM 2234(2)  
 May 28, 2024  
 Page 5

Portfolio, to promote technologies inclusive of open-source communication standards that can be leveraged by utilities and aggregators for the benefit of the grid without impacting the customer experience.

In 2024 NEEA will begin by convening multiple utility funders and regional demand-side organizations to align on Flex Load principles and leverage a regional market transformation portfolio to develop standards, influence stakeholders, prioritize scalable products/designs that meet utility and grid needs, and deliver efficiencies of scale on behalf of the region. The Company's portion of 2024 funding for the project is \$357,500.

*Reason for Deferral*

The Company seeks reauthorization of a single deferral to defer the expenses associated with the pilots/programs described above. The continuation of the deferral will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers. The reauthorization will continue to support the use of an automatic adjustment clause rate schedule, which will provide for changes in prices reflecting incremental costs associated with the pilots/program.

*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 particular source of the regulatory asset cannot be reasonably made, then FERC Account 407.4 (Regulatory Credits) will be credited.

*Amounts 2022-2023*

**Pilot/Program Costs by Year (\$000's)**

	<b>2022 Actuals*</b>	<b>2023 Forecast</b>	<b>2-Year Total</b>
<b>Schedule 26</b>	2,871	5,675	<b>8,546</b>
<b>TOD</b>	358	749	<b>1,107</b>
<b>PTR</b>	2,335	2,859	<b>5,194</b>
<b>DLCT</b>	2,569	2,613	<b>5,182</b>
<b>SGTB – Phase II</b>	549	1,555	<b>2,104</b>
<b>Total</b>	<b>8,682</b>	<b>13,451</b>	<b>22,133</b>

*\* Actuals for January to October and forecast for November to December*

Docket No. UM 2234(2)  
 May 28, 2024  
 Page 6

*Estimate of Amounts 2023-2024*

**Pilot/Program Costs by Year (\$000's)**

	<b>2023 Actuals*</b>	<b>2024 Forecast</b>	<b>2-Year Total</b>
<b>Schedule 26</b>	4,095	4,716	<b>8,811</b>
<b>TOD</b>	402	690	<b>1,092</b>
<b>PTR</b>	2,255	3,041	<b>5,296</b>
<b>DLCT</b>	2,593	3,922	<b>6,516</b>
<b>SGTB – Phase II</b>	907	2,722	<b>3,629</b>
<b>Total</b>	<b>10,252</b>	<b>15,092</b>	<b>25,344</b>

*\* Actuals for January-September and forecast for October-December*

*Information Related to Future Amortization*

- Earnings Review – Staff supports not applying an earnings test to these pilot program costs.
- Prudence Review – Commission Staff should perform a prudence review as part of their review of an application to update Schedule 135.
- Sharing Percentages – All prudently incurred costs are to be recoverable by PGE with no sharing mechanism.
- Rate Spread/Design – The rate spread/rate design will be performed in accordance with PGE Schedule 135.
- Three Percent Test (ORS 757.259(7) and (8)) – The amortization of the Flexible Load Demand Response Pilots' deferred costs will be subject to the three percent test in accordance with ORS 757.259(6) and (8), which limits aggregated deferral amortizations during a twelve-month period to no more than three percent of the utility's gross revenues for the preceding year.

Conclusion

Based on Staff's review of PGE's application, Staff concludes that the Company's application is reasonable and meets the requirements of ORS 757.259 and OAR 860-027-0300 without detriment to customers.

The Company has the opportunity to review this memo and has no concerns regarding this memo.

Docket No. UM 2234(2)  
May 28, 2024  
Page 7

**PROPOSED COMMISSION MOTION:**

Approve PGE's UM 2234(2) deferral application associated with the Flexible Load Demand Response Pilots for the 12-month period beginning January 1, 2024.

PGE UM 2234(2)