

ORDER NO. 24-436

ENTERED Dec 10 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1827(7)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Reauthorization of
Deferred Accounting of Costs Associated
with Demand Response Water Heater
Pilot.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on December 10, 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. CA9

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 10, 2024**

REGULAR **CONSENT** **EFFECTIVE DATE** _____ **N/A**

DATE: November 5, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Caroline Moore, Scott Gibbens, and Michelle Scala **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1827(7))
Requests re-authorization to defer costs associated with the PGE demand response Water Heater Pilot

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric’s (PGE, or Company) request for reauthorization to defer costs associated with its Demand Response Water Heater Pilot for the twelve-month period beginning January 1, 2024.

DISCUSSION:

Issue

Whether the Commission should reauthorize PGE’s request to defer for later ratemaking treatment the costs associated with its Demand Response Water Heater Pilot (Pilot).

Applicable Law

PGE submitted its deferral application on December 12,2023, pursuant to ORS 757.259 and OAR 860-027-0300.

ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and expenses for later inclusion in rates.

OAR 860-027-0300 is the Commission’s rule governing the use of deferred accounting

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by energy and large telecommunications utilities.

Analysis

Background

As of December 2023, the Pilot has installed 13,433 water heater retrofit switches and 39 CTA-2045-enabled new Smart Water Heater communication devices across 32 property management companies representing 112 distinct sites. However, of the 112 distinct multi-family properties, 89 remain enrolled.¹

The deployed retrofits are available in two variants:

1. Wi-Fi connected and
2. cellular signal connected.

Evaluation data has consistently indicated that the cellular-enabled switches exhibit a superior connectivity rate throughout the season compared to the Wi-Fi-connected switches, which show consistent signal degradation issues. Due to these issues, retrofitting water heaters with Wi-Fi-connected devices was halted by PGE in October 2019.

In anticipation of the planned code change making CTA-2045-enabled water heaters the new baseline, the Pilot initially aimed to transition away from all retrofits in 2021. However, due to continuous delays in the effective date of the CTA-2045 code, the Pilot extended cellular retrofits through 2022, with the code finally taking effect in July 2023.

Faced with persistent delays of the planned code change making CTA-2045-enabled water heaters the new baseline, the Pilot entered maintenance mode in 2023, focusing on managing the existing fleet of both Wi-Fi and cellular signal-connected switches while preparing for a program redesign. The strategy for 2024 involves an assessment of the pilot alongside a program redesign, with a specific focus on CTA-2045-enabled water heaters. PGE's objective is to maintain the existing fleet while assessing the implementation services configuration and resource allocation of the pilot. Anticipating readiness to resume installations in the redesign of the Pilot, PGE intends to engage stakeholders, including OPUC staff, to gain a comprehensive understanding of the feasibility of CTA-2045-enabled water heaters. The redesign of the program will be informed by technical insights and market channel learnings

¹ See, Information Request 007 from the Company to Staff, UM 1827, P:\Utility\Discovery\UM\UM 1827 PGE closed 9-11-2023.

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The deferred amounts will be recovered in a manner approved by the Commission and consistent with the terms of Schedule 4 and Schedule 135.

Staff asked a number of information requests on various topics. In response to those information requests, PGE states that the program will return to a growth status. The program was on a steady state while waiting for improvements in technology. While cellular technology is superior to Wi-Fi, PGE will not be converting all the Wi-Fi systems to cellular due to cost. Also, Staff asked about participation from dwelling in housing that supported low-income residents. The Company did not specifically answer the question with regards to the existing 89 multi-family properties. Rather the Company stated that this program was initiated before focus was placed on targeting low-income customers. Also, the PGE program is not analyzing whether any savings are being passed on to the tenants of the properties. PGE may consider that issue in future options.

Description of Expense

Expenses for this deferral include: the cost of implementing the communication interface; managing defaults or repairs; managing new participant enrollment; software licensing; data plan subscription; customer and property manager incentives; and PGE marketing.

Reason for Deferral

The use of deferred accounting for this Pilot will minimize the frequency of rate changes and match appropriately the costs borne by, and benefits received by customers.

Proposed Accounting

PGE proposes to record the deferred amount as a regulatory asset in FERC Account 182.3, Other Regulatory Assets, with a credit to FERC Account 407.4, Regulatory Credits.

Estimate of Amounts

PGE estimates the incremental costs of the Pilot over the twelve months of 2024 to be approximately \$1.7 million as shown in Table 1 below.

Pilot Cost by Year (\$)		
2023 Actuals*	2024 Forecast	2-Year Total
\$1,076,668	\$1,681,500	\$2,758,168

* Actuals for January to September and forecasts for October to December

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In addition and according to the Company, PGE has been working to reduce costs through the following approaches:²

1. Transitioning the pilot from retrofits (which require a licensed electrician to install) to a focus on new CTA-2045 enabled water heaters (which are used in new construction and when replacing old water heaters). This includes developing the customer pipeline and process for individual water heater replacements. PGE has also coordinated with the Energy Trust of Oregon on new construction opportunities.
2. Developing a comprehensive plan to address Wi-Fi connectivity issues to decrease costs and improve results.
3. Working with our implementation vendor to streamline and target activities to provide the most program benefit.

Note: PGE requests this reauthorization be effective January 1, 2024, PGE will submit annual reauthorizations on a calendar year basis to align this pilot with its other demand response pilots, such as Docket No. UM 2234. 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 Pilot.

Information Related to Future Amortization

- Earnings review – An earnings review is required prior to amortization of deferrals, pursuant to ORS 757.259(5), unless amortization is pursuant to an automatic adjustment mechanism, in which case it is discretionary.
- Prudence Review – A prudence review should be performed by the Commission Staff as part of their review of this deferral's annual reauthorization filing or application to update Schedule 135.
- Sharing – There is no sharing under the filed mechanisms.
- Rate Spread/Design – The deferred costs for this Pilot as recovered through Schedule 135 will be allocated to each schedule using the applicable schedule's forecasted energy based on an equal percent of generation revenue applied on a cent per kWh basis to each applicable rate schedule or in a manner approved by the Commission.³

² See, Information Request 004 from the Company to Staff, UM 1827, P:\Utility\Discovery\UM\UM 1827 PGE closed 9-11-2023.

³ Special Condition of Schedule 135.

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- Three Percent Test (ORS 757.259(6)) – The amortization of the Pilot’s 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 12-month period to no more than three percent of the utility’s gross revenues for the preceding year.

Conclusion

The proposed multifamily residential Demand Response Pilot is testing a path to cost-effectiveness for necessary demand side resource and associated communication infrastructure. The pilot is expected to produce benefits to ratepayers while advancing PGE’s long-term demand response capabilities. Staff recommends approval of the request for reauthorization of incremental program costs.

The Company has reviewed a draft of this memo and agrees with Staff’s recommendation to approve the application.

PROPOSED COMMISSION MOTION:

Approve PGE’s request for reauthorization to defer costs associated with its Demand Response Water Heater Pilot for the period beginning January 1, 2024, and ending December 31, 2024.

PGE UM 1827(7) Water Heater Deferral