

ORDER NO. 24-472

ENTERED Dec 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2078(4)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Reauthorization to Defer
Costs Associated with the Residential
Battery Energy Storage Pilot.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on December 31, 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. CA13

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 31, 2024**

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

DATE: December 11, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2078(4))
Requests reauthorization to defer costs associated with residential battery energy storage pilot.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Portland General Electric Company's (PGE or Company) application for reauthorization of deferral of costs associated with the residential battery energy storage pilot, for the 12-month period beginning April 21, 2024.

DISCUSSION:

Issue

Whether the Commission should approve PGE's application for deferral of costs associated with the residential battery energy storage pilot (Pilot) for the 12-month period beginning April 21, 2024, through April 20, 2025.

Applicable Rule or Law

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include:

Identifiable 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

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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

In alignment with the State of Oregon's policy direction of decarbonization, the Company is pursuing efforts to decarbonize its energy supply, increase electricity as a share of total energy use, and enhance operational performance and efficiency.

The Company's filed Energy Storage Proposal complies with Oregon legislation and supports PGE's decarbonization, electrification, and performance imperatives.

In accordance with House Bill (HB) 2193 (2015 Regular Legislative Session) and Docket No. UM 1751, PGE filed its Energy Storage Proposal and Final Potential Evaluation 2 on November 1, 2017. PGE's energy storage proposal was evaluated in Docket No. UM 1856 and approved through Commission Order No. 18-290, subject to conditions.¹

Pursuant to Commission Order No. 18-290, the Company 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.

The Company submitted operational tariff Schedule 14 and received Commission approval on June 30, 2020, with an effective date of August 1, 2020. The objective of this five-year Pilot is to install and connect customer-owned residential energy storage batteries, behind the meter, that would contribute up to 4 MWs of energy to PGE either

¹ 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.

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individually or in aggregate. The fleet will provide grid services and thereby 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 energy for the customer, furthering the customers' resiliency.

The Company continues to learn from the Pilot and in 2023 received approval to iterate upon the Pilot structure based on what has been learned thus far. The new changes were designed to not increase the original funding request, and to abide by the stipulated requirements of UM 1856.

Effective May 15, 2023, the Smart Battery Pilot transitioned from a flat monthly on-bill credit to a reward based on the performance of the batteries when they are dispatched for grid services.

Additional learnings indicated that the original rebate structure was not able to encourage customers to install new energy storage systems to pursue the goal of locational density.

All the 25 income-qualified rebates of \$5,000 apiece have been claimed, while only seven of the \$3,000 rebates intended for customers in the Smart Grid Testbed were claimed. With a goal of completing the locational benefits learning objective, the up-front rebates were re-cast (while staying within the original budget) to increase the amount available per participant.

Effective on May 15, 2023, participants within designated campaign areas can receive \$405 per kWh of nominated capacity. The rebates available are capped based on the maximum participation to stay within the allotted budget. In total, the new purchase rebate is limited to 960 kWh of nominated energy storage. Since the transition to this reward-based structure, the Pilot participation increased by 52 new enrollments, a 27 percent increase, and average event performance per customer up from 3.6 kWh to 7.76 kWh. With this growth, the Pilot has seen increased payments to customers.

In also 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. As noted above, PGE will amortize this deferral through Schedule 138, which is an 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

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Estimated of Amounts to be Recorded for the Next 12 Months

PGE estimates total recoverable costs to be approximately \$2.2 million over the Pilot's five-year period. The estimated cost for 2024 is \$815,295. This residential battery storage pilot cost will be recovered through the AAC and associated deferral.

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	111,757	465,300	59,500	736,868
Program Costs	17,700	147,103	104,458	167,662	328,841	254,431	1,020,194
Aggregation & Dispatch	44,726	143,050	15,148	15,908	21,154	25,385	265,372
Total Costs	63,538	309,256	199,703	295,327	815,295	339,316	2,022,435

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 – These deferred costs will be recovered through Schedule 138, which is an AAC.
- Prudence Review – A prudence review should be performed by the Commission Staff as part of PGE's amortization filing.
- Sharing – Schedule 138 specifies that prudently incurred cost will be collected from customers with no sharing mechanism.
- Rate Spread/Rate Design – Applicable costs will be allocated to each schedule

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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)) – This deferral is subject to the three percent test in accordance with ORS 757.259(6) and (8).

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,
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, 2024, subject to Staff recommendations.

Portland General Electric UM 2078(4)