

ORDER NO. 25-209

ENTERED June 11, 2025

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1827(8)

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 June 10, 2025, 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.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 10, 2025**

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

DATE: May 21, 2025

TO: Public Utility Commission

FROM: Kathy Zarate and Peter Kernan

THROUGH: Scott Gibbens and Michelle Scala **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1827(8))
Deferred Accounting of 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, 2025.

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 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 by energy and large telecommunications utilities.

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Analysis

Background

On April 4, 2022, the Commission adopted Staff's recommendation that PGE continue to account for its costs to operate the Pilot under its existing budget and deferral authorization in this docket (UM 1827) until a Commission decision is made regarding the Pilot's treatment after its 2023 expiration. Order No. 24-436 approved PGE's request for reauthorization to defer costs associated with its Demand Response Water Heater Pilot for the twelve-month period beginning January 1, 2024.

In Order No. 25-074, the Commission approved the 2025-2026 budget for Multifamily Water Heater pilot and requested the Company migrate future deferrals into the primary flexible load deferral, UM 2234, starting in 2026. In its recommendation, Staff noted that consolidation of deferral filings does not limit Staff's ability to make recommendations about limited cost recovery or pilot termination. In this filing, the Company request reauthorization to defer costs for the twelve-month period beginning January 1, 2025.

Pilot Operation

PGE experienced challenges with this Pilot, mostly attributed to connectivity issues of Wi-Fi-connected communication modules. Due to these issues, retrofitting water heaters with Wi-Fi-connected devices was halted by the Company 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. The code effectiveness date was further delayed to July 2023. Thus, the Pilot entered maintenance mode in 2023, which restricts new participants. PGE now focuses on managing the existing fleet of both Wi-Fi and cellular signal-connected switches while preparing for a program redesign.

Description of the Expenses

In 2025, the Company's objective is to maintain the existing fleet while growing the fleet with cell connected devices, assessing the implementation services configuration and resource allocation of the pilot.

Proposed Accounting

The Company 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.

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Reasons for Deferral

The continuation of the deferral will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers.

Estimate of Amounts

The Company estimates the incremental costs of the Pilot over the twelve months of 2025 to be approximately \$1.2 million.

Pilot Cost by Year (\$)		
2024 Actuals*	2025 Forecast	2-Year Total
\$707,322	\$1,170,250	\$1,877,572

** Actuals for January to November and forecasts for December*

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:** All prudently incurred costs are to be recoverable by PGE with no sharing mechanism.
- **Rate Spread/Rate 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.¹
- **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.

¹ See Special Condition 1 of Schedule 135.

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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 Deferred Accounting of Costs Associated with the PGE Demand Response Water Heater Pilot.

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, 2025, and ending December 31, 2025.