

Analysis

Background

Portland General Electric Company (PGE) filed on December 29, 2023, a request for Commission approval to continue to defer the incremental costs associated with the Non-Residential Direct Load Control (DLC) Pilot (Pilot), also known as the Energy Partner Smart Thermostat pilot. The Pilot is subject to the automatic adjustment clause tariff Schedule 135 and operational tariff Schedule 25. This filing is the fourteenth reauthorization request.

On November 8, 2021, the Commission issued Order No. 21-421 to approve reauthorization of the deferral for the Pilot as a standalone pilot and noted that the Pilot would be redesigned. On April 15, 2022, PGE filed Advice No. 22-07 to revise the Pilot. The Commission approved the advice filing on May 31, 2022, extending the Pilot through May 31, 2025. In Order No. 22-115, the Commission approved PGE's Flexible Load Multi-Year Plan to include Schedule 26 while keeping Schedule 25 separate in this Docket No. UM 1514.

The Company has requested this reauthorization be effective for the twelve-month period, January 1, 2024, through December 31, 2024. The reauthorization will continue to work with the automatic adjustment clause rate schedules, which will provide for changes in prices reflecting incremental costs associated with the Pilot.

On March 19, 2024, the Commission approved Advice No. 24-04, which proposed revisions to the Pilot's tariff, Schedule 25, to add a Bring Your Own Thermostat option and to increase the flexibility of when events may be called.¹ Staff expects these changes to improve the cost-effectiveness and enrollment challenges of the Pilot, which Staff documented in its Staff Report.² Staff will use engagements with PGE's Flexible Load Plan, Docket No. UM 2141, to monitor the operational performance against expectations. According to the Company, the forecast for 2024 includes an expectation of elevated total enrollment driven by increased marketing, more qualifying thermostats, and the changes to Schedule 25.

Reason for Deferral

The Company seeks reauthorization to defer the expenses associated with the Pilot. The continuation of the deferral will minimize the frequency of rate changes and match appropriately the costs borne by, and benefits received by customers.

¹ See Docket No. ADV 1590, (March 19, 2024), <https://edocs.puc.state.or.us/efdocs/UBF/adv1590ubf327393165.pdf>.

² See Docket No. ADV 1590, *Staff Report*, (March 11, 2024), <https://edocs.puc.state.or.us/efdocs/HAU/adv1590hau327268054.pdf>.

Also, in alignment with the State of Oregon and Commission policies and requirements, PGE developed the Pilot to help address decarbonization goals, assist customers in managing their energy consumption and total energy costs, and enhance operational performance and efficiency. The Pilot complies with Oregon's policy direction and supports PGE's decarbonization, electrification, and performance imperatives.

Proposed Accounting

The Company proposes to record the deferred amount 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.

Estimate of Amounts

The Company estimates the amounts to be deferred for the Pilot over the twelve months of 2024 to be approximately \$1.7 million.

Information Related to Future Amortization

- Earnings Review – Cost recovery for the Pilot will be subject to an automatic adjustment clause rate schedule. Schedule 135 is an automatic adjustment clause rate schedule and will not be subject to an earnings review under ORS 757.259.
- 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 – Under deferred accounting, 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 Commission³.
- 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

³ Special Condition of Schedule 135.

to no more than three percent of the utility's gross revenues for the preceding year.

Conclusion

Staff reviewed PGE's application and supporting program work papers. Staff found the application reasonable. The rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300.

The Company has reviewed this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Staff recommends the Commission approve Portland General Electric Company's (PGE or Company) application for reauthorization to defer costs associated with non-residential direct load control pilot, for the 12-month period beginning January 1, 2024.