

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 1, 2002

REGULAR  X  CONSENT \_\_\_\_\_ EFFECTIVE DATE  October 2, 2002

DATE: September 20, 2002

TO: John Savage through Lee Sparling and Jack Breen III

FROM: Janet Fairchild

SUBJECT: PORTLAND GENERAL ELECTRIC: (Advice No. 02-14) Introduces a pilot program for residential load control.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Portland General Electric's Advice 02-14, as filed on August 30, 2002, to become effective October 2, 2002.

**DISCUSSION:**

On August 30, 2002, Portland General Electric (PGE) filed Advice No. 02-14 to become effective October 2, 2002. The filing was made in accordance with ORS 757.205, *Filing Rate Schedules with the Commission*. The filing introduces a pilot project for residential load control. The purpose of the pilot is to test customer acceptance of voluntary system control of electric water and space heat if customers retain the capability to override those controls. The ultimate goal of the project is to determine if enough peak load can be economically shifted so that construction of new power plants (particularly peaking plants) or high cost power purchases can be deferred or avoided. The project is comprised of two parts, one implements space heat controls and one implements hot water heat controls.

Space Heat Controls: PGE intends to include 100 Time-of-Use (TOU) customers who have electric space heat in this portion of the pilot. Via a remote control device located at PGE's facilities, space heat temperatures will be reduced two to three degrees for two to three hours during peak periods on the coldest days of the winter heating season. Customers will be able to override the curtailment through their thermostat or over the Internet.

Hot Water Heat Controls: PGE intends to include 100 TOU customers who have electric hot water heating systems. Control software will be used to shut off water heaters

during certain times of every weekday during winter months (when peak power costs are high). Customers may override a limited number of curtailment events via the Internet.

Anticipated Program Benefits: The program offers benefits to TOU customers by automatically shifting usage away from peak times. This may result in usage shifting from peak to mid-peak rate times, thus saving the TOU customer money.

If the program is found to be cost effective and is accepted by customers, PGE plans to rollout the offering to additional customers with electric space or water heating. PGE's filing indicates the estimated penetration rate of a near-term rollout, achieved after the pilot ends, is approximately 5,000 households with an estimated peak reduction of 4.9 MW by the end of 2004.

One of the Commission's goals for 2002 is to investigate the role of demand response programs and load curtailment plans in the provision of electricity service. PGE's proposed pilot project is consistent with this goal.

In its cover letter, PGE states, "The Company's proposed load control pilot was presented to the Portfolio Committee. The Committee recommended approval of this pilot as stated in Order No. 02-478, Appendix A, Recommendation No. 11." Staff points out that this characterization is not quite accurate. The Committee recommended that the Commission consider the pilot. The Committee believes that the program has potential and supports it. However, the Committee did not recommend outright approval of the project because it did not wish to make determinations on whether the project would qualify for SB 1149 deferred funding. That issue is discussed below.

Program Funding: PGE's filing states that the project is intended to educate Customers on load shifting and to encourage increased enrollment in the TOU option. Based on that premise, PGE is requesting that the estimated \$371,000 cost of the pilot be included in the Company's SB 1149 deferral.

SB 1149 deferral is based on Section 18 of the bill. It provides that electric companies should be afforded the opportunity to recover all prudently incurred costs of implementing SB 1149. One mechanism for ensuring that opportunity for cost recovery is to allow the Company to defer costs for later recovery in rates.

The Company argues that since the Portfolio Advisory Committee determined that a TOU option was consistent with the law, and since the proposed load control project will likely facilitate more effective use of the TOU option, the project qualifies as an SB 1149 implementation cost, and therefore, should be subject to SB 1149 deferral.

Staff believes SB 1149 requires only that a market-based option be made available to residential and small nonresidential customers. Since TOU is PGE's only market based option, the costs of offering the TOU option are appropriately included in the Company's SB 1149 deferral. Costs incurred to encourage customers to choose one offering over another exceed the requirements of SB 1149, and therefore, should not generally be designated as an "SB 1149" cost. Based on these observations, Staff believes that deferral under ORS 757.259 may be more appropriate.

However, because the pilot project is limited to TOU customers, Staff is willing to allow deferral under SB 1149. For the purposes of the \$371,000 pilot project only, prudently incurred costs should be allowed in the Company's SB 1149 deferral, provided that, at the time they are placed in rates, costs associated with this project will be subject to further review. If, based on that review, it is determined that the benefits of the project have been realized by all customer classes, then costs associated with the project will be allocated across all customer classes.<sup>1</sup> However, if it is determined that only TOU customers benefit from the project, then associated costs will be directly assigned to the customers eligible for the TOU option.

#### **PROPOSED COMMISSION MOTION:**

Portland General Electric's Advice 02-14, as filed on August 30, 2002, be effective October 2, 2002.

PGE Advice 02-14/JF

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<sup>1</sup> If it is determined that enough peak load can be shifted to allow the Company to avoid or defer building new peaking generation facilities, or reduce its purchase costs, then the benefit of the program will be realized by all PGE customers. If it is found that enough load can be shifted via remote load control to significantly reduce TOU customers' costs, but not to avoid or defer building new generation or higher purchased power costs, then the benefit of the project will be realized by TOU customers.