

Analysis

Background

In Docket No. AR 538, the Commission adopted rules to establish a solar photovoltaic feed-in tariff pilot program, as required by ORS 757.365.

In Docket No. UM 1452, the Commission established volumetric incentive rates for solar photovoltaic energy systems. PacifiCorp is implementing the solar photovoltaic feed-in tariff program (for PacifiCorp, the program is known as the Oregon Solar Incentive Program) through Schedules 136 and 137.

Additionally, the Commission has approved PacifiCorp's Schedule 204 for recovery of the costs authorized under the deferral approved in the docket.

Description of Expense

The expense to be deferred includes the prudently incurred incremental costs to administer the program, including payments to participants in the program.

Reasons for Deferral

Reauthorization of deferred accounting will allow PacifiCorp to continue to match the benefits that customers will be receiving with the costs to the Company of providing those benefits.

The renewable energy certificates associated with generation sold to the utility under ORS 757.365 may be used to comply with the Oregon RPS, which also requires cost recovery of prudently incurred costs associated with compliance.

Proposed Accounting

PacifiCorp states it will account for the deferred costs of the Oregon Solar Incentive Program by recording the deferral in Account 182.3, Other Regulatory Assets. In the absence of the Commission's approval of this Application, PacifiCorp would not incur the cost for the program. Were such costs incurred, however, they would be recorded in Account 908, Customer Assistance Expenses.

Estimate of Amounts

For this program year through April 2022, PacifiCorp has deferred approximately \$1.7 million of costs associated with the Oregon Solar Incentive Program.

PacifiCorp estimates that the costs may range from \$4.6 million to \$4.8 million during the May 19, 2022 through May 18, 2023, deferral period.

Information Related to Future Amortization

- Earnings Review – No earnings test is applied before amortization of this deferral under Schedule 204.
- Prudence Review – A review to determine that costs were prudently incurred must be done prior to amortization. The costs to be deferred would include any administrative, marketing, metering, incentive payments and any other costs incurred by PacifiCorp for the purpose of implementing the pilot program, consistent with this agreement.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Design – Staff proposes that during amortization, that the costs be spread on an equal percent of generation basis.
- Three Percent Test – The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. Because Pacific is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. The limit for these deferrals will be determined at the time of amortization.

Conclusion

As Pacific Power's application to defer is appropriately made under the statutes, and the application meets the requirements of OAR 860-027-0300, Staff recommends approval.

The Company has reviewed this memo and agrees with Staff's recommendation.

PROPOSED COMMISSION MOTION:

Approve Pacific Power's request for reauthorization to defer costs associated with the Oregon Solar Incentive Program for the 12-month period beginning May 19, 2022.