

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: November 16, 2021

REGULAR **CONSENT** **EFFECTIVE DATE** September 29, 2021

DATE: November 5, 2021

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, John Crider and Matt Muldoon **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 1981(3))
Requests reauthorization of deferred accounting for costs related to the Oregon Community Solar Program.

STAFF RECOMMENDATION:

The Commission should approve Pacific Power's (PacifiCorp of Company) application for reauthorization of deferred accounting of costs related to the Oregon Community Solar Program (CSP) for the 12-month period beginning September 29, 2021.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's application to defer for later rate-making treatment of O&M start-up expenses related to the development of Community Solar.

Applicable Rule or Law

ORS 757.386 and OAR 860-088-0160 permit utilities to recover all start-up costs prudently incurred during the development or modification of the CSP in electric company rates. Further, the rules specify that these costs include both:

- Start-up Program Administrator (PA) and Low Income Facilitator (LIF) costs; and
- Utilities' prudently-incurred start-up costs.¹

¹ OAR 860-088-0160(1).

OAR 860-027-0300(4)(a)-(b) includes the requirements for an application of reauthorization of deferred accounting. PacifiCorp must include the requirements required for its initial application, as well as (a) a description and explanation of the entries in the deferred account to the date of the application for the reauthorization; and (b) the reason for continuation of deferred accounting.

The Commission most recently approved the PacifiCorp's application for deferred accounting in Order No. 21-106.

Analysis

Background

The Community Solar program enables utility customers to subscribe to or purchase the output of solar photovoltaic energy projects across Oregon. The rules governing the program require the utilities to conduct activities in support of the program. As the CSP is still in the start-up phase, the utility activities largely include program development.

ORS 757.386(7)(c) and OAR 860-088-0160(1) authorize utilities to recover costs from ratepayers that are prudently incurred during the start-up phase of the CSP. As the CSP becomes operational, the ongoing costs related to the program will be collected from program Participants. PacifiCorp filed an initial application for approval to defer costs related to the CSP in 2018, and the Commission approved PacifiCorp's application in Order No. 18-478. In this docket, PacifiCorp requests reauthorization to continue to defer costs related to the CSP as it continues in the start-up phase.

Current filing modification

In this filing, PacifiCorp requests the additional inclusion of the incremental costs associated with subscribed energy as part of CSP start-up costs for deferred accounting treatment, an approach consistent with that of Portland General Electric's treatment of similar expense that was approved by the Commission in Order No. 21-106. It should be noted that the Commission has not yet approved a method for calculating the incremental cost of subscribed energy. Staff plans to work with stakeholders and all three electric companies to forge a common method of calculation and make a recommendation regarding such calculation in a future proceeding.

Description of Amounts

OAR 860-088-0160(1) defines the start-up costs for the CSP as:

- Costs associated with the Program Administrator (PA) and the Low-Income Facilitator (LIF);
- Any of the utility's prudently incurred start-up costs associated with implementing the CSP, which include but are not limited to:

- Costs associated with customer account information transfer;
- Costs associated with on-bill crediting and payment.
- The start-up cost definition excludes any costs associated with the utility developing a CSP project, as well as any capital investments the utility makes to implement the program.²

PacifiCorp included the following costs in its initial deferral application:

- Funding for the CSP PA
- Funding for the CSP LIF
- Internal Administrative Costs
 - Program Management
 - Billing System Operating Costs
 - Customer Representative Training and Support

In its reauthorization filing, PacifiCorp included the same description of amounts for deferral. Staff finds that these cost descriptions appropriately fall under the definition of start-up costs for the CSP.

Reasons for Continued Deferral

PacifiCorp is authorized under ORS 757.386(7)(c) to recover costs incurred for CSP start-up from ratepayers. PacifiCorp seeks to use deferred accounting to facilitate that recovery and to “match the costs borne and benefits received by customers.”³ PacifiCorp explains in its Application that the CSP is still in the start-up phase of development.

Proposed Accounting

If this application is approved, PacifiCorp will record deferred CSP start-up costs by crediting FERC Account 906, Customer Service and Informational Expenses, and other relevant FERC expense accounts, and debiting the Community Solar Start-Up Costs balancing account, in FERC Account 182.3, Other Regulatory Assets. The deferral balance will be reduced monthly by the amount collected under Schedule 207, Community Solar Start-Up Cost Recovery Adjustment. A carrying charge calculated at the current Modified Blended Treasury rate will be recorded each month on the deferral balance. If this application is denied, CSP start-up costs will remain in FERC Account 906 and other relevant FERC expense accounts.⁴

² Order No. 18-423.

³ See Docket No. UM 1981(2), PacifiCorp dba Pacific Power Application for Approval to Defer Accounting Costs Related to the Oregon Community Solar Program, November 27, 2020 at P 3.

⁴ *Id.* at P 4.

Estimate of Amounts

At this time, PacifiCorp has a debit balance in its deferral account for fiscal year 2021 of approximately \$1.9 million, and estimates that its internal administration costs for Community Solar start-up will be \$150,000 for 2022. PacifiCorp estimates Program Administration team costs to be \$1,080,000 in 2022, based on its share (39.5 percent) of the State of Oregon's contract with Energy Solutions, the Program Administrator.

PacifiCorp anticipates that some of these costs will be paid by Community Solar Participants and Project Managers, but that contribution is uncertain at this time.

Information Related to Future Amortization

- Earnings Review – Cost recovery associated with the CSP start-up should not be subject to an earnings review as it would be subject to an automatic adjustment clause.
- Prudence Review –The prudence review should include verification of the accounting methodology used to determine the final amortization balance.
- Sharing Percentages – All prudently incurred costs are to be recoverable by PAC with no sharing mechanism.
- Rate Spread/Design – Applicable costs will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent generation revenue applied on a cents-per-kilowatt hour basis.
- Three Percent Test (ORS 757.259(7) and (8)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. This test limits 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. The amortization of the CSP start-up costs will be subject to the three percent test.

Conclusion

Staff concludes that PacifiCorp's reauthorization request meets the requirements of ORS 757.259 and OAR 860-027-0300, and is consistent with PacifiCorp's initial application for deferral. The CSP is still in the start-up phase, and cost deferral continues to be appropriate. Additionally, Staff supports the inclusion of subscribed energy costs, though the method for calculating such costs is yet to be determined. Based on the Commission's original approval of the deferral in Order No. 18-478, the

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Commission should reauthorize PacifiCorp to defer the start-up costs associated with the CSP.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's Application for Reauthorization of Deferred Accounting of Costs Related to the Oregon Community Solar Program for the 12-month period beginning September 29, 2021.

UM 1981(3)