

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 25, 2020**

REGULAR _____ CONSENT X EFFECTIVE DATE November 28, 2019

DATE: February 18, 2020

TO: Public Utility Commission

FROM: Jill Goatcher

THROUGH: Michael Dougherty and JP Batmale **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 1981(1))
Application for 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 (Application) for the 12-month period starting November 28, 2019.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's application for reauthorization to defer non-capital start-up costs of the Community Solar Program (CSP) in order to maintain the balancing account authorized in previous Commission Order No. 18-478.

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 approved the PacifiCorp's initial application for deferred accounting in Order No. 18-478 on December 18, 2018.

Analysis

Background

The CSP establishes a program whereby utility customers can subscribe to or purchase the output of solar photovoltaic energy projects across Oregon. The rules governing the CSP require the utilities to conduct activities in support of the program. As the CSP is 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.

PacifiCorp's Request for Reauthorization

Under OAR 860-088-0300, which governs a utility's use of deferred accounting, a utility is required to include the following for an application of deferred accounting:

- (1) A description of the utility expense amounts;
- (2) The reasons for deferral;
- (3) The proposed accounting;
- (4) An estimate of the deferred amounts;
- (5) Notice of the application.

A utility's application for reauthorization of deferred accounting must include the five components described above. Additionally, the utility must include a description and explanation of the deferred amounts up to the date of the application for reauthorization and the reasons for continuation of deferred accounting.²

² OAR 860-088-0300(4).

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.³

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."⁴

PacifiCorp explains in its Application that the CSP is still in the start-up phase of development.⁵ PacifiCorp states in its Application that it will transition to an ongoing phase once the Program is fully operational.⁶ At that time, PacifiCorp will address cost recovery for ongoing costs.⁷ Staff finds that PacifiCorp sufficiently explains the reason for deferral reauthorization as required by OAR 860-088-0300(3) and (4).

³ Order No. 18-423.

⁴ See Docket No. UM 1981(1), PacifiCorp dba Pacific Power Application for Approval to Defer Accounting Costs Related to the Oregon Community Solar Program, November 27, 2019 at P 3.

⁵ *Id.* at P 4.

⁶ *Id.* at P 2.

⁷ *Id.*

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.⁸

Staff finds PacifiCorp's proposed accounting and balancing account is an efficient way to track the start-up costs eligible for recovery from ratepayers. As PacifiCorp notes, "some portion of [the utility's CSP] costs will be paid by Community Solar Participants and Project Managers, but that contribution is uncertain at this time."⁹ Staff notes that Staff must review the balancing account balance at the time amortization is scheduled to ensure that there is no double-recovery of costs from both customers and CSP participants. However, Staff believes the accounting will be sufficiently clear to avoid risk of double recovery.

Estimate of Amounts

At this time, PacifiCorp has a debit balance in its deferral account for fiscal year 2019 of approximately \$412,000, and estimates that its administration costs for Community Solar start-up will be \$215,000 for 2020. PacifiCorp estimates Program Administration team costs to be \$887,869 in 2020, and \$924,773 in 2021, based on its share (39.5 percent) of the State of Oregon's contract with Energy Solutions, the Program Administrator.¹⁰

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.¹¹

⁸ *Id.* at P 4.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

Table 1.
PacifiCorp's Actual and Estimated CSP Start-up Costs and Deferral Account Balance

	Estimated in Initial Filing for 2018 - 2019	Actual FY 2019	Estimated 2019 – 2020	Estimated 2021
Deferral Account Balance	N/A	\$412,000		
Company's Administrative Costs	\$175,000		\$215,000	\$150,000
CSP PA and LIF	N/A		\$888,000	\$925,000

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. Additionally, the CSP is still in the start-up phase, and cost deferral continues to be appropriate. Based on the Commission's approval of the deferral in Order No. 18-478 and seeing no significant changes between the filings, the 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 starting November 28, 2019.