

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 25, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE August 26, 2016

DATE: October 17, 2016

TO: Public Utility Commission

FROM: Abdoulaye Barry *AB*
J

THROUGH: Jason Eisdorfer and Marc Hellman *A*

SUBJECT: IDAHO POWER COMPANY: (Docket No. UM 1795) Idaho Power Company's Application for Deferral of Start-up Expenses Associated with a Community Solar Program.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Idaho Power Company's (Idaho Power or Company) application for an authorization to defer start-up costs associated with the development of a Community Solar Program for 12 months beginning August 26, 2016.

DISCUSSION:

Issue

Whether the Commission should authorize Idaho Power to defer for later incorporation into rates the start-up costs related to the development of a Community Solar Program.

Applicable Law

Senate Bill 1547 requires the Commission to establish a program for the creation of community solar projects under which electric companies purchase the electricity produced by community solar projects or provide bill credits to project owners and subscribers for energy provided by community solar projects. Section 22(7)(c) of SB 1547 allows electric companies to recover in rates all the start-up costs prudently incurred during the development of a community solar program. The Commission may authorize the deferral of the start-up costs in accordance with ORS 757.259(2)(e) and OAR 860-027-0300.

Discussion and Analysis

Description of Expense

The expenses subject to deferral are the costs and expenses incurred during the startup phase of the Community Solar Program. They include the costs related to the modification of IT systems, legal fees, professional and consulting fees, regulatory compliance costs and other startup costs that may be incurred while the program is under development. The costs to be deferred are limited to only those incurred on and after the filing date of this deferral application.

Reason for Deferral

The costs associated with the development of the Community Solar Program are not included in current rates. Therefore, in order to allow the Company to recover the start-up costs in future rates while minimizing the frequency of rate changes, the Commission, pursuant to ORS 757.259(2)(e) may authorize the deferral of these costs.

Proposed Accounting

The Company proposes to record the start-up costs as a regulatory asset in FERC Account 182.3 Other Regulatory Assets. In the absence of an authorization by the Commission to use the deferred accounting treatment, the start-up costs incurred for the development of the Community Solar Program would be recorded using standard accounting procedures to the appropriate FERC accounts. The Company cannot determine which FERC accounts would be used until the nature of these costs is identified.

Estimated Deferrals in Authorization Period

Idaho Power Company has provided a preliminary estimate of \$100,000 as the initial start-up costs of the Community Solar Program. This amount will cover potential billing system modifications, legal fees, consulting fees, and regulatory compliance costs. However, because the Commission has not established guidelines and the requirements for the development of a Community Solar Program, the Company cannot provide an estimate of the costs it will incur.

Information Related to Future Amortization

- Earnings Review – ORS 757.259(5) requires an earnings review prior to amortization of amounts deferred under ORS 757.259(2)(e).
- Prudence Review – Prior to amortization, a prudence review will be conducted to ensure all costs were prudently incurred. The review should also include verification of the accounting methodology used to determine the final amortization balance.

- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Design – The allocation basis for the prudently incurred start-up costs will be discussed during a workshop in the spring of 2017.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. 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.

Conclusion

Based on the review of Idaho Power's application, Staff concludes that the proposal represents an appropriate use of deferred accounting under ORS 757.259.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's application for reauthorization of deferral accounting for start-up costs associated with the development of a Community Solar Program for the 12-month period beginning August 26, 2016.