**From:** MOORE Caroline
**To:** MENZA Candice
**Subject:** UM 1930 COMMUNITY SOLAR IMPLEMENTATION - Cost Recovery Workshop
**Date:** Wednesday, August 15, 2018 11:55:31 AM
**Attachments:** Idaho Power - UM 1930 Cost Recovery Recommendations.docx
UM 1930 cost recovery proposal pge.pdf
PAC Comunity Solar Program cost recovery plan proposal to Staff 8-13-18.pdf

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Good afternoon UM 1930 stakeholders,

Please find the attached Community Solar cost recovery proposals developed by each utility. Staff has scheduled a workshop to discuss these proposals on **Wednesday, August 29, 2018,** at the Park Square Building **in Portland**. Please find the meeting details below. I am not expecting to use the full 2.5 hours, but want to leave the time open if needed.

**Event: UM 1930 Cost Recovery Workshop**

**Date: August 29, 2018**

**Time: 1:30 p.m. – 4:00 p.m.**

**Where: The Ross Island Conference Room at 100 SW Market St, Portland, OR 97201**

**Agenda: Each utility will review its cost recovery proposal. Stakeholders and Staff will ask questions and provide feedback. Following the workshop, Staff will bring a recommended cost recovery proposal to a public meeting for Commission adoption (tentatively planned for the September 25, 2018 Public Meeting).**

Please let me know if you have any questions or concerns.

Best,

Caroline

## Idaho Power Company – Oregon Community Solar Cost Recovery

### Deferral of Start-Up Costs:

In August 2016, Idaho Power filed a deferral for start-up costs for the Oregon community solar program under Docket UM 1795. The Company requested re-authorization of that deferral in March 2018. Start-up costs include costs that the utility will incur to implement the program as well as funding for the third-party administrator.

- Utility start-up costs
  - Legal/Professional and Consultant Fees
  - Modification of IT Systems
  - Other – unidentified costs that may be incurred to develop CS program

- Third-Party Administrator Funding – start-up costs

Idaho Power recommends that all start-up costs internal and external (Program Administrator funding) continue to be deferred per the authorized deferral in UM 1795 until those costs are recovered in rates.

### Allocation of Third-Party Administrator Start-Up Costs

Idaho Power, PacifiCorp, and Portland General Electric recommend allocating Third-party administrator start-up costs based on the 2016 Oregon average customer counts. Using customer count from the 2016 Oregon Utility Statistics book the allocation would be IPC – 1.3%, PAC – 39.5%, and PGE – 59.2%.

### Recovery of Start-Up Costs

Idaho Power's recommendation is to request amortization and collection in rates of the deferred start-up costs at the point when the start-up period has ended and on-going costs will be borne by community solar participants. In a similar fashion that amortization of deferred intervenor funding is collected through Idaho Power's Oregon Schedule 56, Power Cost Adjustment Mechanism, Idaho Power recommends that amortization of the deferred start-up costs be collected through Schedule 56 and not be subject to deadbands.

### Ongoing Internal Administrative Costs

Idaho Power plans to file a deferral with a balancing account to track ongoing internal administrative costs of the Program. These costs will be recovered from the community solar program participants. Idaho Power envisions that the rate(s) established to recover the internal ongoing administrative costs will be part of the community solar program tariff.

### Recovery of Bill Credits and PPA costs

The bill credits paid to customers and the PPA costs should be included in Idaho Power's Annual Power Cost Update (APCU) as purchased power expenses which would be 100% directly assigned to Idaho Power's Oregon jurisdiction.

Portland General Electric
121 SW Salmon Street • Portland, Ore. 97204
PortlandGeneral.com

August 13, 2018

Via email: Caroline.Moore@State.Or.Us

Public Utility Commission of Oregon
Attn: Caroline Moore
201 High St. SE, Suite 100
P.O. Box 1088
Salem OR 97308-1088

**RE: Portland General Electric's (PGE) Proposed Community Solar Cost Recovery Plan**

Per Oregon Administrative Rule (OAR) 860-088-0160 – regarding Community Solar Program Funding – electric companies will recover start-up costs incurred during the development or modification of the Community Solar Program through electric company rates. The rules define start-up costs as:

1) Costs associated with the Program Administrator and Low-Income Facilitator; and

2) Each electric company's prudently-incurred start-up costs associated with implementing the Community Solar Program. These costs include, but are not limited to, costs associated with customer account information transfer and on-bill crediting and payment, but exclude any costs associated with the electric company developing a project.

To recover these start-up costs, PGE proposes to file for deferred accounting, as well as to use an accompanying automatic adjustment clause and balancing account to track the ongoing cost and recovery amounts for the start-up costs of the Community Solar Program. The use of an automatic adjustment clause will allow recovery of start-up costs to begin as soon as the cost data is approved by the Commission. A balancing account will provide the ability to track and true-up the amounts associated with Community Solar Program start-up. PGE proposes either the use of Schedule 105 – Regulatory Adjustments – or the filing of a new rider specific to the recovery of Community Solar start-up costs.

In addition to start-up costs, OAR 860-088-0160 also instructs the recovery of ongoing costs associated with the program administrator and low-income facilitator to be collected from participants. PGE similarly proposes the filing of a deferred accounting mechanism, as well as the use of an automatic adjustment clause paired with a balancing account to provide the ability to true-up recovery amounts.

Allocation proposed

As the Community Solar Program is statewide, the start-up costs relating to the Program Administrator and Low Income Facilitator should be allocated between the State's three investor-owned utilities. PGE proposes to allocate the costs of this statewide program in accordance with average customer counts – as listed in the 2016 Oregon Statistics Book. The allocated percentages would be as follows:

- PGE – 59.2% of statewide start-up costs (859,396 customers)
- PacifiCorp – 39.5% (574,131 customers)
- Idaho Power – 1.3% (18,848 customers)

Bill Credits

Per the Commission's order, the Community Solar Program will provide bill credits to subscribing customers at the retail rate for the first 40MW of program development, with a credit rate after the first 40MW of development to be determined. To recover the cost of bill credits, PGE proposes to include the bill credit amounts into PGE's Annual Update Tariff (AUT) filing, which would then be recovered through Schedule 125 – Annual Power Cost Update. PGE recommends that these bill credit costs not be subject to deadbands. This recovery mechanism would be applicable to all cost-of-service bills for electricity service served under the following schedules: 7, 15, 32, 38, 47, 49, 75, 83, 85, 89, 90, 91, 92, and 95.

Table 1 below is intended to summarize PGE's proposals in this memo:

| Recovery | Proposed treatment | Proposed Recovery Schedule |
|---|---|---|
| Start-up costs | Deferred accounting, with automatic adjustment clause and balancing account | Schedule 105, or initiation of new schedule specific to community solar |
| Ongoing Costs | Deferred accounting, with automatic adjustment clause and balancing account | Schedule 105, or initiation of new schedule specific to community solar |
| Bill credits | Inclusion in PGE's AUT, credit amount not subject to deadbands | Schedule 125 – Annual Power Cost Update |

Table 1 – PGE cost recovery proposals for Community Solar Start-up

**PacifiCorp Regulatory Affairs**
**Community Solar Cost Recovery Plan**
**Provided to Staff August 13, 2018**

This document summarizes PacifiCorp's regulatory plan for cost recovery of PacifiCorp's costs related to the Oregon Community Solar program.

**Costs expected for establishing Oregon Community Solar Program**
Costs categories have been identified as follows. Note that both start-up costs and on-going costs exclude any costs associated with PacifiCorp developing its own community solar project. If PacifiCorp develops its own community solar project, those costs will be separate from the costs described below and are only recoverable from the participants in that project.

**Oregon Community Solar Program – PacifiCorp Cost Recovery Summary**

| Cost category | Description | How recovered |
|---|---|---|
| Start-up costs | Costs associated with developing the facilitation of the community solar program including:<br>• Program administrator<br>• Low income facilitator<br>• PacifiCorp's incremental costs of implementing community solar programs (customer account data transfer, on-bill crediting and payment, etc.) | Recovered from all customers through a separate tariff rider |
| On-going costs | • Program administrator<br>• Low income facilitator<br>• PacifiCorp's incremental costs of maintaining availability of community solar programs for customers | Recovered from community solar program participants through a separate tariff rider (and separate from the start-up costs tariff rider) |
| Participants' bill credits and unsubscribed energy Power Purchase Agreement costs | PacifiCorp's costs for:<br>• Bill credit to participants at a fixed rate for 20 years<br>• Purchase of unsubscribed energy from projects at "as available" avoided cost rates | Recovered from all customers through net power costs set in the Transition Adjustment Mechanism (TAM); any 2019 costs will be deferred for later inclusion in the start-up costs tariff rider. |

**Allocation of Costs Associated with Program Administrator and Low Income Facilitator**
PacifiCorp, Portland General Electric Company and Idaho Power Company propose to allocate these costs on the basis of 2016 Oregon average customer counts.

| | Average Customers | |
|---|---|---|
| | Amount | Percentage |
| Idaho Power | 18,848 | 1.30% |
| PacifiCorp | 574,131 | 39.53% |
| PGE | 859,396 | 59.17% |
| | 1,452,375 | |
| source: 2016 Oregon statistics book | | |

**PacifiCorp Cost Recovery Required Filings**

<u>Start-up costs</u>
Cost recovery of start-up costs will be achieved through a cost-of-service automatic adjustment clause to allow recovery of projected costs along with a balancing account to track over- and under- collections of actual costs. Required filings will include an application for deferred accounting to approve the use of a balancing account for the costs of start-up of the community solar program and collections associated with start-up costs and a tariff advice filing to implement a new rate schedule to collect these costs from all customers. PacifiCorp highlights the fact that its start-up costs will include capital projects, for which PacifiCorp will seek recovery of return on and return of in rates, which will be recorded in the proposed balancing account.

<u>On-going costs</u>
At some point in time as determined by the program administrator and stakeholders, a separate stream of cost recovery for on-going costs will be established. Recovery of these costs will be similar as to that for start-up costs, through a cost-of-service automatic adjustment clause to allow recovery of projected costs along with a balancing account to track over- and under-collections of actual costs. Required filings will include an application for deferred accounting to approve the use of a balancing account for the costs for on-going community solar program maintenance and collections associated with on-going costs and a tariff advice filing to implement a new rate schedule to collect these costs from community solar program participants.

<u>Participant bill credits and unsubscribed energy costs</u>
PacifiCorp is obligated to credit community solar participants at a fixed rate for 20 years and purchase unsubscribed energy from community solar project managers at “as available” avoided cost rates. Recovery of these costs will be set annually through the TAM as part of net power costs. The cost associated with bill credits will be situs-assigned to Oregon to be collected from all Oregon customers. Recovery of unsubscribed energy costs at avoided cost rates will be system-allocated to be collected from all customers.

PacifiCorp emphasizes that variances in actual and forecasted TAM amounts should be tracked separately and should not be subject to the deadbands and earnings test of the power cost adjustment mechanism.  Note that recovery of these costs for 2019 will need to be achieved through a separate deferral.

**Next step**

- File deferred accounting application to support the balancing account that will track variances related to start-up cost actuals and tariff rider collections.  This filing can be targeted for late August/early September.