



PGE notes that this deferral is subject to amortization through PGE Schedule 138, which is an automatic adjustment clause (AAC) rate schedule.<sup>1</sup> approved by Commission Order No. 22-129 in PGE's 2022 general rate case, Docket No. UE 394 (UE 394).

PGE is a public utility in the state of Oregon and its rates, service and accounting practices are subject to regulation by the Commission. This Application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items for later incorporation into rates.

### Analysis

#### *Background*

The costs at issue are associated with PGE's Energy Storage Proposal submitted to the Commission in 2017 in accordance with House Bill (HB) 2193 and Docket No. UM 1751. PGE's Energy Storage Proposal was evaluated in Docket No. UM 1856 (UM 1856) and approved through Commission Order No. 18-290, subject to conditions.<sup>2</sup>

The projects subject to this deferred accounting application reauthorization are the Coffee Creek Substation and Baldock, which has been renamed the Camino del Sol Mid-Feeder project.

#### *Coffee Creek Substation*

PGE plans to develop and build a 17 MW, two-hour Energy Storage System on PGE owned property adjacent to the existing Coffee Creek Substation. This system will be able to provide capacity, energy, and ancillary services to PGE's system during normal operations, as well as mitigate outages caused by asset failure or other system issues during outage conditions. PGE will control and operate the project for system needs and will have the ability to dispatch the system as needed. The overnight capital costs for this project are capped at a maximum allowable cost of \$30.1 million (2017 dollars). See Commission Order No. 18-290.

#### *Baldock, "Camino del Sol Mid-Feeder"*

This project is expected to develop and build a two-MW/two-hour energy storage system adjacent to PGE's Camino del Sol Solar facility and will be interconnected to the Canby-Butteville feeder. The final project energy rating (MWh) will be determined based on the proposal pricing received and space availability.

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<sup>1</sup> See *In the Matter of Portland General Electric Company Request for a General Rate Revision*, UE 394, Order No. 22-129.

<sup>2</sup> See Commission Order No. 18-290, Appendix A,

PGE states that by implementing these projects, PGE will gain knowledge and experience with planning, installation, operations, maintenance, and informing larger scale BESS deployment. To address cost recovery, PGE requests approval to defer capital-related costs and certain incremental expenses associated with the Pilots.

These costs include but are not limited to operations and maintenance (O&M—including incremental PGE labor related to the Pilots), income taxes, property taxes, return of and return on investment, and other fees and costs associated with the energy storage pilots. In accordance with Order No. 18-290, however, no administrative or evaluation costs associated with the entire portfolio of battery storage projects are requested for deferral.

#### *Estimate of Amounts*

PGE does not provide an estimate of the capital costs to be deferred during the deferral period, instead providing the previously established cap on total capital costs for the projects and the actual amounts spent in previous deferral periods. For O&M, PGE estimates O&M expense of \$0.4 million for Coffee Creek and provides no estimate of O&M for Camino del Sol.

#### *Reason for Deferral*

PGE seeks deferred accounting treatment for the Coffee Creek and Camino del Sol energy storage projects for the reasons discussed above.

#### *Proposed Accounting*

PGE proposes to record the deferred amount as a regulatory asset in FERC Account 182.3, Other Regulatory Assets and credit the appropriate FERC expense accounts. When specific identification of the particular source of the regulatory asset cannot be reasonably made, then FERC Account 407.4 (Regulatory Credits) will be credited.

#### *Information Related to Future Amortization*

- Earnings Review – Any cost recovery will be through Schedule 138, which is an AAC. Schedule 138 is silent as to whether amortization is subject to an earnings review, so Staff anticipates determining whether an earnings review is appropriate at the time PGE seeks to amortize these amounts.
- Prudence Review – PGE will submit Pilot evaluation reports that will provide detailed cost summaries. A prudence review can also be performed during the Pilots' operations.
- Sharing – The AAC does not include a sharing mechanism.

- Rate Spread/Rate Design – Applicable costs will be allocated to each schedule using the applicable schedule’s forecasted energy on the basis of an equal percent of revenue applied on a cents-per-kWh basis.
- Three Percent Test (ORS 757.259(6)) – The amortization of the Pilot’s deferred costs will not be subject to the three percent test since Schedule 138 is an AAC.

### Conclusion

Based on Staff’s review of PGE’s application to request authorization to defer, for future inclusion in customer rates, the revenue associated with the cost associated with the energy Storage Pilots, Staff recommends PGE’s application be approved subject to Staff’s recommended condition (Condition):

No later than November 1 of each year, PGE can make a filing regarding the amounts deferred inclusion in the balancing account established under PGE Schedule 138. If PGE intends to seek a change of the rates of amortization set forth in Schedule 138, PGE will make an advice filing accompanied by information showing the prudence of the deferred costs.

The Company has reviewed this memo and agrees with its contents.

### **PROPOSED COMMISSION MOTION:**

Approve PGE’s deferral of the incremental costs of Energy Storage Pilot projects not otherwise included in rates for the 12-month period beginning on September 1, 2023, subject to the conditions set forth in Staff’s memorandum.