

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 20, 2020**

REGULAR X CONSENT _____ EFFECTIVE DATE October 21, 2020

DATE: October 12, 2020

TO: Public Utility Commission

FROM: Natascha Smith

THROUGH: Bryan Conway, JP Batmale, and Kim Herb **SIGNED**

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. ADV 1170/Advice No. 20-22)
PGE Schedule 136 - Oregon Community Solar Program Cost Recovery
Mechanism Update.

STAFF RECOMMENDATION:

The Oregon Public Utility Commission (OPUC or Commission) approve Portland General Electric Company's (PGE or Company) Schedule 136, subject to Staff-proposed modifications.

DISCUSSION:

Issue

Whether the Commission should approve the cost allocation methodology proposed in PGE's Advice No. 20-22, which revises Schedule 136, Oregon Community Solar Program's (CSP) Cost Recovery Mechanism, to recover costs incurred during and for the development and/or modification of the Oregon CSP that are not otherwise included in rates and to spread these costs across all customers.

Applicable Rule or Law

Section 22 of Senate Bill (SB) 1547, effective March 8, 2016, and codified in Oregon Revised Statute (ORS) 757.386, directs the Public Utility Commission of Oregon (Commission) to establish a community solar program (hereinafter referred to as "Program" or "CSP").

ORS 757.205 requires that public utilities file all rates, rules, and charges with the Commission.

ORS 757.210 establishes a hearing process to address utility filings and requires rates be fair, just, and reasonable.

ORS 757.386(7)(a) specifies different treatment for the start-up and ongoing costs of the CSP.

- Start-up costs: Utilities may recover prudently incurred program start-up costs as well as costs of energy purchased from CSP projects from all ratepayers.
- Ongoing costs: Owners and subscribers (i.e., program participants) shall bear all ongoing costs incurred for the cost to construct and operate community solar projects.

ORS 757.386(7)(b) specifies costs incurred under a CSP Power Purchase Agreement are “recoverable in the rates of an electric company.

OAR 860-088-0160(1) states that start-up costs must be reviewed and approved by Commission order and clarifies that start-up Program Administrator and Low Income Facilitator costs are recoverable in rates of all ratepayers. Further, the rules specify that utilities’ prudently-incurred start-up costs recoverable from ratepayers, but exclude any costs associated with the electric company developing a CSP project.¹

OAR 860-022-0025 requires that new tariff filings include statements showing the new rates, the number of customers affected, the impact on annual revenue, and the reasons supporting the proposed tariff.

OAR 860-022-0030 requires that tariff filings that name increased rates include additional requirements to OAR 860-022-0025 and necessitate statements for each separate schedule.

Analysis

Background

The Commission approved Schedule 136 as a CSP cost recovery tariff on June 6, 2019.² Schedule 136 recovers costs incurred during and for the development and/or modification of the Oregon CSP including the Program Administrator (PA) and Low Income Facilitator (LIF) costs, and the Company’s prudently incurred costs associated

¹ OAR 860-088-0160(1)(b).

² Docket No. ADV 958/Advice No. 19-12, Allowed (Approved) Utility Filing, June 7, 2019.

with implementing the CSP that are not otherwise included in rates. Parties agreed that PGE would recover PA/LIF forward-forecasted costs contemporaneously through an automatic adjustment clause and file a deferral to recover any variance at year-end.

In Order No. 20-173, the Commission approved PGE's tariff proposal with regard to allocating CSP start-up costs to long-term opt out and new load direct access (DA) customers, but ordered PGE to file a compliance tariff stating the specific cost allocation methodology for costs associated with the above-market bill credits under the CSP.³

The "above-market" cost is the difference between the participant bill credits and what the Company would pay to acquire the same amount of energy from another resource. The Company will recover the amount paid to projects that equal to the avoided cost of energy through its Annual Update Tariff and Power Cost Adjustment Mechanism.

On July 16, 2020, Staff facilitated a conversation between DA stakeholders and PGE in which stakeholders could not reach an agreement on an appropriate methodology for allocating costs to DA customers.

On September 3, 2020, PGE submitted a Supplemental Filing of Advice No. 20-22 to provide justification for their proposed methodology for allocating above-market bill credit costs. This filing included workpapers demonstrating the impacts of adopting various methodologies.

Tariff Proposal

PGE proposes that costs recovered through Schedule 136 be allocated to each schedule based on an equal percent of total revenue, with DA customers priced at the equivalent cost of service rate schedule.⁴ Under this proposal, prices are the same between equally situated cost of service and DA customers. Notably, this is a change from PGE's earlier proposal which allocated costs based on generation revenues.

PGE asserts that it is appropriate to maintain parity between cost of service and DA customers.⁵

Cost Recovery Methodologies

The appropriateness of a cost-recovery-methodology depends on the type of cost being recovered. It would be possible for PGE to treat above-market bill credit costs as either

³ Order No. 20-173, Docket No. UE 380, Advice No 20-09/ ADV 1112, May 28, 2020.

⁴ Total revenue includes both base revenues and generation revenues, where DA customer generation is priced at rate of the corresponding schedule. (e.g. Schedule 489's generation is treated as though it was generation under schedule 89).

⁵ UE 380, Stakeholder Workshop, July 16, 2020.

lost revenue or as general generation subsidy. While lost revenue is typically recovered through a rate case, a generation subsidy may be established outside of a rate case through a rider or adder. Here, PGE is treating the above-market costs as a generation subsidy, recovering the costs through Schedule 136, instead of as revenue deficiencies spread across classes as part of a rate case. This approach is consistent with PGE's characterization of community solar costs as policy based costs with environmental justifications. These types of costs should, more or less, be borne equally across all rate schedules. Thus, the outstanding issue here is determining the appropriate method for spreading the above-market bill credit costs.

The allocation of CSP above-market bill credit costs is a novel concept for which there are not clear rules nor applicable Commission guidance. Thus, Staff is left to make a recommendation purely on a policy basis.

Staff Recommendation for the Schedule 136 Filling

Staff recognizes that it is important to have a settled methodology to recover above-market bill credit costs, and supports the spreading of costs to long-term opt out and new load direct access customers in Schedule 136.

While Staff finds that it is permissible to allow the allocation of CSP costs outside of a rate case, to do so would be inconsistent with the method in which DA customers have previously been allocated new charges, or seen their rate increase.

Staff recognizes that this docket is the first to articulate a methodology for distributing costs arising from legislatively mandated programs, and may act as a baseline for future discussions or negotiations among parties. While not precedential, a determination of how costs should be spread in this docket still lacks the holistic assessment of the policy issues or substantial record development undertaken in UM 2024. Staff expects the appropriateness of charging DA customers legislatively mandated program charges, and subsequent appropriate way to spread these charges to be an issue discussed on the record in Phase III of UM 2024.

Because of the concern noted above, Staff recommends that the Commission do the following:

1. Adopt PGE's methodology on a provisional basis;
2. Order PGE to refile Schedule 136, when appropriate, to reflect the methodology for spreading policy driven costs established in UM 2024.

One benefit of this approach is that it prevents Schedule 136 from becoming an outlier in the way public policy charges are spread among DA customers.

Staff acknowledges that its recommendations are not an exhaustive list of all concerns held by stakeholders, but believes that Staff's proposed modifications are required to ensure a viable methodology for recovering CSP costs, while allowing the parties to further develop the record in preparation for policy decisions on this issue in UM 2024.

Conclusion

Staff recommends that the Commission provisionally adopt PGE's Schedule 136 and direct the company to re-file the tariff to reflect the decisions in UM 20204.

PROPOSED COMMISSION MOTION:

Provisionally approve Portland General Electric's Schedule 136 modifications; with a requirement to refile the tariff to reflect the decisions of UM 2024.