

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 28, 2023**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** January 1, 2024

DATE: December 4, 2023

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. ADV 1551/Advice No. 23-019)
Requests rate revision in Schedule 204 for amortization of costs related to the Oregon Solar Incentive Program.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Pacific Power's (PacifiCorp, PAC, or Company) application to revise Schedule 204 rates to amortize the deferred costs associated with the Oregon Solar Incentive Program (OSIP) for the 12-month period ending September 30, 2023, with a rate effective date for service on and after January 1, 2024.

DISCUSSION:

Issue

Whether the Commission should authorize the amortization costs associated with the Oregon Solar Incentive Program deferral (UM 1483).

Applicable Law

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

ORS 757.210 provides that the Commission may approve tariff changes if they are fair, just, and reasonable.

OAR 860-022-0025 requires that revised tariff filings include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

OAR 860-022-0030 requires that tariff filings which result in increased rates include statements showing the number of customers affected, the annual revenue under existing schedules, the annual revenue under proposed schedules, the average monthly bills under existing and proposed schedules, and the reasons supporting the proposed tariff.

ORS 469A.120, states that all prudently incurred costs associated with pilot programs for small solar energy systems are recoverable in rates.

OAR 860-027-0300(9) articulates the deferred accounting procedures for public utilities. ORS 757.259(5) requires a review of utility earnings prior to amortization of deferred amounts not subject to an automatic adjustment clause.

ORS 757.259(6) establishes a three percent test measuring the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits 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. Because PacifiCorp is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. The limit is to be determined at the time of amortization.

Analysis

Background:

The Company's OSIP costs are costs incurred to implement the volumetric incentive rate (VIR) program required under ORS 757.365. Under ORS 757.365(10), all prudently incurred costs to implement a VIR program are recoverable in the electric company's rates.

The Commission originally authorized the Company to defer OSIP costs in Order No. 11-021 (Docket No. UM 1483) pursuant to ORS 757.365(10), ORS 469A.120(1) and (3), and ORS 757.259.

Current Filing

On November 2, 2023, PacifiCorp filed an application requesting to amortize deferred amounts from the 12 months ended September 30, 2023. The Company seeks to amortize approximately \$3.2 million, excluding interest. The deferral includes costs for program administration, incentive payments, and meter costs. The Company states the

deferral also reflects offsetting credits for customer charges and an avoided energy value. A residual credit balance of approximately \$0.8 million related to 2022 program cost amortization has reduced the balance PacifiCorp is seeking to amortize in this filing.

The total amount, including interest, proposed to be amortized in rates is \$2.6 million, which is a \$2.3 million reduction from the amount currently in rates.

Although the OSIP is now closed to new participants, the program was designed to provide payments to participating customers for 15 years at a specified volumetric incentive rate. In Docket No. UM 1483(11), the Company states there will be direct costs associated with this program through 2032, or 15 years after the last project is completed.

PacifiCorp states that the three percent earnings test set forth in ORS 757.259(6) is not applicable to the current filing since the Company applied for deferral under ORS 757.365(10), which allows the Commission to authorize amortization of a deferred amount for an electric utility with an overall average rate impact greater than three percent if it meets additional criteria. However, the Company states the deferral amortization is less than three percent of the Company's earnings as required by ORS 757.259(6).

The OSIP deferral adjustment is consistent with the previously approved rate spread which is based on the spread of present generation revenues. The filing results in an overall rate decrease of \$2.3 million or 0.1 percent. The proposed change will affect approximately 652,000 customers and the average residential customer using 900 kilowatt-hours per month would see a monthly bill decrease of \$0.13 as a result of this change.

Staff reviewed the Company's submitted work papers and responses to staff data requests and finds the costs with this filing to be prudently incurred, and the deferred amounts subject to amortization were calculated appropriately.

- Prudence Review – Staff issued several data requests and reviewed the responses along with the workpapers submitted with the filing and finds the costs were prudently incurred.
- Staff verified the accounting methodology used to determine the final amortization, including the application of interest, and agrees with the Company's final amortization balance.

- Earnings Review – Pursuant to ORS 757.259(5), this amortization is not subject to an earnings review pursuant to ORS 757.365(10).

Conclusion

As Pacific Power's application to defer is appropriately made under the statutes, and the application meets the requirements of OAR 860-027-0300, Staff recommends approval with the condition that PacifiCorp's accounting and reporting of incremental program costs and credits continue to be done as specified in Appendix A to Order No. 11-021.

The Company has reviewed a draft of this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve Pacific Power's application to revise Schedule 204 rates to amortize the deferred costs associated with the Oregon Solar Incentive Program for the 12-month period ending September 30, 2023, with a rate effective date for service on and after January 1, 2024.