

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 8, 2017

REGULAR _____ CONSENT X EFFECTIVE DATE May 7, 2017

DATE: August 1, 2017

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Jason Eisdorfer and Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1482(7)) Requests reauthorization to defer costs associated with Solar Payment Option.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) request for reauthorization to defer costs associated with the Solar Payment Option (SPO) for the 12-month period beginning May 7, 2017, subject to the following condition:

- PGE will continue to maintain a balancing account for actual costs based upon the allowable costs identified in OAR 860-084-0280 through 0360, and be able to demonstrate how such costs are incremental to any costs currently included in rates.

DISCUSSION:

Issue

Whether the Commission should reauthorize deferral of costs associated with SPO.

Applicable Law

Pursuant to ORS 757.365(10) all prudently-incurred costs associated with compliance with ORS 757.365 (pilot program for small solar energy systems) are recoverable in the utility's rates. Under ORS 469A.120(1) and (3), all prudently incurred costs associated with the renewable portfolio standards are recovered through an automatic adjustment

clause. ORS 757.259 and OAR 860-027-0300 are the laws that concern deferrals and the automatic adjustment mechanism.

The Company makes this filing pursuant to ORS 757.365(10), 469A.120(1) and (3), or 757.259 and OAR 860-027-0300. Deferral of these OSIP costs was granted by the Commission in OPUC Order No. 11-059 and has been annually reauthorized, most recently by Order No. 15-185.

Analysis

PGE requests reauthorization to defer the costs and expenses associated with the photovoltaic feed-in tariff pilot program, including payments to owners of qualified systems for generation (i.e. a volumetric incentive rate) and costs associated with the administration of the pilot program. The Company will seek amortization of the deferred amount in a future Commission proceeding. This deferral is necessary to allow the Company to recover costs associated with compliance with ORS 757.365, as allowed by ORS 757.365(10).

The SPO was established in compliance with the rules adopted in Docket AR 538. Commission Order Nos. 10-198, 10-304, 11-089, and 11-281 in Docket UM 1452 set out additional requirements. The Pilot provides payments to retail electric customers for electricity generated by permanently installed solar photovoltaic energy systems (i.e. a volumetric incentive rate) through PGE Schedules 215, 216, and 217.

Description of Utility Expense

The expense to be deferred is the prudently incurred incremental costs to administer the program and include: volumetric incentive payments and/or retail bill offsets to participants; administrative costs associated with the SPO program operations; data collection; development costs for billing and website; customer surveys; and regulatory reporting requirements. Credits to the balancing account include: deposit forfeitures; interconnection application fees; customer charges; assignment fees; and the avoided energy value. Amounts in the balancing account accrue interest at the Commission-authorized rate of return for deferred accounts.

Reason for Deferral

The incremental costs associated with compliance with ORS 757.365 are not currently included in rates. As the statute provides that prudently incurred costs associated with compliance with the statute are recoverable in rates, the deferral is necessary to accomplish that outcome. Continuation of this deferral will minimize the frequency of rate changes or fluctuations and match appropriately the costs borne by and benefits received by customers.

Proposed Accounting

PGE proposes to record the deferred amount as a regulatory asset in FERC Account 182.3, Other Regulatory Assets with a credit to FERC Account 407.4, Regulatory Credits. In the absence of a deferred accounting order from the Commission, PGE would continue to record costs associated with the Pilot to FERC Account 903 Customer Records and Collection Expenses, and FERC Account 908 Customer Assistance expenses.

Estimate of Amounts

PGE estimates incremental costs may range from \$6.5 to \$7 million for the 12-month deferral period, largely consisting of volumetric incentive rate (VIR) payments to participants as more systems are energized. In its 2013 regular session, the legislature enacted House Bill 2893, codified in ORS 757.365(12), adding an additional 2.5 MW capacity to the statewide program. In Docket No. UM 1673, 1.5 MW of that capacity was added to PGE's pilot program. An additional enrollment window was established for customers in 2014. Another enrollment window started May 1, 2015, to account for capacity dropouts from previous windows. More systems continue to come online and there may be additional capacity to enroll customers' systems; therefore, the payment amounts in 2017 and 2018 are expected to increase.

The deferral balance through December 2016 is approximately \$91,000.

Information Related to Future Amortization

- Earnings review – Pursuant to ORS 757.259(5), amortization of this deferral does not require an earnings review as it is subject to an automatic adjustment clause under ORS 757.210(1). See also OAR 860-084-0060 and ORS 469A.120.
- Prudence Review – A review to determine that costs were prudently incurred must be done prior to amortization. The review should include the 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 – In Docket UE 237, the Parties agreed that Schedule 137 costs be allocated to each schedule based on an equal percent of generation revenue applied on a cents per kilowatt-hour basis.

- 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. Because PGE is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. The limit for these deferrals will be determined at the time of amortization.

Conclusion

As PGE'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 included below in the Proposed Commission Motion.

PROPOSED COMMISSION MOTION:

PGE be allowed to track its actual costs related to the Photovoltaic Volumetric Incentive Rate Pilot Program using deferred accounting pursuant to ORS 757.259(2)(e) for the 12-month period beginning May 7, 2017, subject to the following condition:

PGE will continue to maintain a balancing account for actual costs based upon the allowable costs identified in OAR 860-084-0280 through 0360, and be able to demonstrate how such costs are incremental to any costs currently included in rates.