

**PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
PUBLIC MEETING DATE: August 22, 2023**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: July 31,2023

TO: Public Utility Commission

FROM: Kathy Zarate and Joseph Abraham

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

SUBJECT: IDAHO POWER:
(Docket No. UM 1795(6))
Approving reauthorization to defer of start-up expenses associated with community solar program.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Idaho Power Company's (Idaho Power or Company) request for reauthorization to defer start-up costs associated with the development of a Community Solar program for 12 months, beginning March 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve the Company's request for reauthorization to defer for later ratemaking treatment start-up costs related to the development of a Community Solar Program.

Applicable Law

Senate Bill 1547 requires the Commission to establish a program for the creation of community solar projects under which electric companies purchase the electricity produced by community solar projects or provide bill credits to project owners and subscribers for energy provided by community solar projects. Section 22(7)(c) of SB 1547, later codified under ORS 757.386 and OAR 860-088-0160, allows electric

companies to recover in rates all the start-up costs prudently incurred during the development of a community solar program.

The Commission may authorize the deferral of the start-up costs in accordance with ORS 757.259(2)(e) and Oar 860-027-0300. ORS 757.259(2)(e) authorizes the Commission to allow a utility to defer expenses or revenues for alter recovery in rates in order to minimize the frequency of rate changes or to appropriately match the costs and benefits to customers. OAR 860-027-0300 sets requirements for deferral applications for energy utilities. OAR 860-027-0300(4) requires the utility to provide certain information in an application to defer, such as the reason for the deferral, estimated amount of the deferral.

Analysis

Background

The Company, on February 28, 2023, submitted a filing to reauthorize a deferral, for future amortization, costs associated with the development of CSP
OAR 860-088-0160(1) defines start-up costs as:

1. Costs associated with the Program Administrator (PA) and Low-Income Facilitator (LIF); and
2. Each electric utility's prudently incurred start-up costs associated with Implementing Community Solar. These costs include, but are not limited to, costs associated with the customer account information transfer and on-bill crediting and payment, but exclude any costs associated with the electric utility developing a Community Solar project.

Description of Expense

The costs to be deferred would include start-up costs¹ associated with the PA and LIF not covered by participants, including costs for modification of Idaho Power's Information Technology (IT)/billing systems, professional and consultant fees, costs related to regulatory compliance, and any other costs the Company may incur to develop the Community Solar Program.

¹ Order No. 19-392 at 2-3 (Nov. 8, 2019) issued in docket UM 1930 set the general participant administrative fee for the PA/LIF at \$0.85/kW/month - a level assuming full participation in the program's initial capacity tier (~160 MW). The Commission additionally set an initial capacity tier (interim offering) at 50 percent of total capacity in Portland General Electric's and PacifiCorp's service areas and 100 percent of capacity for Idaho Power, totaling 82.15 MW. This interim offering represents the "capacity transition level." A letter sent to the utilities from OPUC Staff on April 1, 2020, clarified that the costs incurred before the full interim offering of Community Solar capacity is subscribed and costs related to billing are considered "start-up" costs.

Reason for Deferral

The Company requests reauthorization to defer the start-up costs associated with Community Solar which will minimize the frequency of rate changes and match appropriately the costs borne by, and benefits received by, customers.

In addition, SB 1547 requires the implementation of the Program, and the start-up costs for CSP are recoverable in electric company rates but not currently included in the Company's rates. To limit the number of rate adjustments for customers, Idaho Power will propose cost recovery of CSP start-up costs at a future point in time.

Proposed Accounting

The Company proposes to record the deferred amount as a regulatory asset in FERC Account 182.3, Other Regulatory Assets. The Company will record amortization of the deferred amount to FERC Account 407.3, Regulatory Debits.

Estimate of Amounts

The Company estimates that its costs for Community Solar start-up will be \$50,000² for the next 12 months. The estimated costs that are required as part of a deferral application are not actuals. The estimates differ is that in the years 2021 and 2022, the Company's *internal* startup costs plus outside legal costs were significantly lower, estimated at \$25,000³ for 2021 and \$10,000⁴ for 2022. At that point the magnitude of the startup costs related to the Program Administrator (PA) were unknown and that assumption was noted within the application. Pursuant to Commission Order 19-122 Idaho Power Company is responsible for paying 1.29% of start-up costs associated with the PA and Low-Income Facilitator.⁵

The 2023 estimate of \$50,000 represents the estimated costs to be paid to the PA based on the prior 12-month actuals, carrying charges on the balance, and zero for internal startup costs. So had the 2021/2022 applications included an estimated amount for the PA, the estimated startup costs would have been higher than 2023.

To determine the \$50,000 estimate, the Company utilized the costs provided in Confidential Exhibit B – Deferred Account Entries.

² Idaho Power's Application, Docket UM 1795(6), February 28, 2023

³ Order No. 21-094, March 30, 2021

⁴ Order 22-114, April 07, 2022.

⁵ See, Order 19-122, Appendix A, p. 4, April 02, 2019, <https://apps.puc.state.or.us/orders/2019ords/19-122.pdf>.

[BEGIN CONFIDENTIAL]



[END CONFIDENTIAL]⁶

For some additional context, there is a pending CSP project in Idaho Power's service area with an estimated online date of November/December 2023. Because it is not yet operational, all PA fees are still considered startup costs for Idaho Power. The Company plan is to file a new deferral request before the project is energized and that will delineate the transition from startup to ongoing costs for Idaho Power.

However, on page three of its Application, the Company provided a preliminary estimate of approximately \$100,000 related to potential billing system modifications, legal fees, and consulting fees. Because a component of the requested deferral is legal fees, the actual costs subject to deferral will largely depend on the procedural schedule of the rulemaking docket and any filing requirements that may result from that docket. The Company will be able to provide a better estimate of these expenses when the procedural schedule and potential filing requirements are determined.

Information Related to Future Amortization

- Earnings Review – ORS 757.259 (5) requires an earnings review prior to amortization of amounts deferred under ORS 757.259 (2)(e).

⁶ Idaho Power Company's response to Staff's Information Request No.7.

- Prudence Review – Prudence review should be performed at the time of deferral amortization. The review should also include verification of the accounting methodology used to determine the final amortization balance.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread / Rate Design – The allocation basis for the prudently incurred start-up costs will be recovered through the Company's Net Variable Power Costs Schedule 56. Rate spread among the different customer classes is still to be determined.
- Three Percent Test (OAR 757.259 (6)) – The amortization of the deferral costs will be subject to the three percent test in accordance with ORS 757.259(7) and (8), which limits aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

Conclusion

Based on Staff's review of the Company's application, Staff concludes that the proposal represents an appropriate use of deferred accounting under ORS 757.259.

Further, the Company's application for deferred accounting meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, Staff recommends Idaho Power's application be approved.

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

PROPOSED COMMISSION MOTION:

Approve Idaho Power's application for the reauthorization to defer costs expenses associated with CSP for 12 months, beginning March 1, 2023.