

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 5, 2022**

REGULAR CONSENT EFFECTIVE DATE _____

DATE: March 24, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: IDAHO POWER:
(Docket No. UM 1795(5))
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, 2022.

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 (SB) 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.

Further, this application is filed pursuant to ORS 757.259 and OAR 860-027-0300(3), which allows the Commission, upon application, to authorize deferral of certain items for later incorporation in rates.

In addition, 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, etc. Order No. 21-095 most recently granted previous approval of this deferral.

OAR 860-088-0160(1) articulates that utilities' prudently incurred Community Solar Program start-up costs are recoverable through rates.

Analysis

Description of Expenses

On February 28, 2022, Idaho Power sought reauthorization from the Commission to continue to defer, for future amortization, costs associated with the development of the Oregon Community Solar Program.

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.

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

Furthermore, to reflect the Community Solar transition from startup activities into a fully operational program, Idaho Power anticipates making a filing later this year to recover the ongoing costs and revenues from the Community Solar Program. The filing will occur prior to energy deliveries from Idaho Power's Community Solar project, which is estimated to begin in July 2022.

Reason for Deferral

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

Proposed Accounting

Idaho Power 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. In the absence of a deferred accounting order from the Commission, Idaho Power would record start-up costs associated with Community Solar to various FERC accounts.

Estimated of Amounts

Idaho Power estimates that its costs for Community Solar start-up will be \$10,000 for the next 12 months. Idaho Power requests that, in accordance with Order No. 05-1070, it be allowed to accrue interest on the unamortized balance at a rate equal to its authorized weighted average cost of capital most recently approved by the Commission.¹

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).
- Prudence Review – Prudence review should be performed at the time of deferral amortization.
- 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.

¹ See, Order No. 12-055.

Conclusion

Based on Staff's review of Idaho Power'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 a draft of this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's application for the reauthorization to defer of start-up expenses associated with community solar program.