

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 23, 2021

REGULAR CONSENT EFFECTIVE DATE March 1, 2020

DATE: March 12, 2021

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. UM 1795(4))
Request reauthorization to defer start-up expenses associated with a 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 the two annual periods of March 1, 2020, through February 28, 2021; and March 1, 2021, through February 28, 2022.

DISCUSSION:

Issue

Whether the Commission should reauthorize Idaho Power to defer for later incorporation into rates the 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 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 757.210 and ORS 757.259 allow utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs. 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. Previous approval of this deferral was most recently granted by Order No. 19-226.

Analysis

Description of Expense:

The expenses subject to deferral are the costs and expenses incurred during the startup phase of the 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 costs associated with the customer account information transfer and on-bill crediting and payment.

Also included are costs related to the modification of IT systems, legal fees, professional and consulting fees, regulatory compliance costs and other startup costs that may be incurred while the program is under development.

Reason for Deferral:

The costs associated with the development of the Community Solar Program are not included in current rates. Therefore, in order to allow the Company to recover the start-up costs in future rates while minimizing the frequency of rate changes, the Commission, pursuant to ORS 757.259(2)(e) may authorize the deferral of these costs.

Proposed Accounting:

The Company proposes to record the start-up costs 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:

Idaho Power estimates approximately \$15,000 in start-up costs and \$10,000 in outside legal expenses for each of the years included in this deferral.

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 – Prior to amortization, a prudence review will be conducted to ensure all costs were prudently incurred. 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/Design – The allocation basis for the prudently incurred start-up costs will be recovered through the Company's Net Variable Power Cost Schedule 56. Rate spread among the different customer classes is still to be determined.
- 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.

Conclusion

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

In addition, Staff concludes the rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, Staff recommends PGE's application be approved.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's request for reauthorization to defer start-up costs associated with the development of a Community Solar Program for the two annual periods of March 1, 2020, through February 28, 2021; and March 1, 2021, through February 28, 2022.