

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

REGULAR **CONSENT** **EFFECTIVE DATE** _____ **N/A**

DATE: October 30, 2023

TO: Public Utility Commission

FROM: Kathy Zarate and Paul Rossow

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

SUBJECT: IDAHO POWER:
Docket No. UM 1975(4) and UM 1975(5)
Requests for authorization of deferred accounting of Solar Photovoltaic Pilot Program revenues and expenses.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Idaho Power Company's (Idaho Power or Company) requests to defer Solar Photovoltaic Pilot Program revenues and expenses for the period October 1, 2022, through September 30, 2023, and the period October 1, 2023, through September 30, 2024, respectively.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's application to reauthorize deferred accounting of Solar Photovoltaic Pilot Program revenues and expenses to support Idaho Power's rates collected through its Tariff Schedule 93 – Solar Photovoltaic Pilot Program Rider (PV Program Rider), which collects revenues to offset expenditures associated with the Solar Photovoltaic Pilot Program (Pilot Program).

Applicable Law

In accordance with ORS 757.259, 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 reason for the deferral, estimated amount of the deferral, etc.

In OAR 860-027-0300(3) the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review. A review of the utility's earnings is required, unless subject to an automatic adjustment clause. With some exceptions, a company's amortization of amounts deferred cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

Analysis

Background

ORS 757.365 (2009), as amended by House Bill 3690 (2010), mandated the development of pilot programs for each electric company to demonstrate the use and effectiveness of volumetric incentive rates and payments for electricity delivered by solar photovoltaic energy systems. The legislation authorized the Commission to establish incentive rates for the pilot programs to enable the development of the most efficient solar photovoltaic systems. As such, in Docket No. UM 1452, and approved with Order No. 10-198, the Commission established the Pilot Program to demonstrate the use and effectiveness of volumetric incentive rates ("VIR") payments for electricity or for the non-energy attributes of electricity, or both, delivered from a solar photovoltaic system permanently installed by retail electric customers. The Commission allocated 0.4 megawatts of the Pilot Program capacity to Idaho Power and specified it was to be allocated only to residential qualifying systems.

In addition, the Commission approved Idaho Power's Solar PV Program Rider effective July 1, 2010. The Solar PV Program Rider is a balancing account mechanism that charges customers a percentage of the sum of the monthly charges for the base rate components of their respective electric bills. Base rate components include the service charge, energy charges, demand charges, and the basic charge. Revenues received from the Solar PV Program Rider fund the implementation and administration of the Pilot Program and are recorded in a regulatory liability account. As funds are used for

administration of the program and VIR payments, the balancing account is debited for the amount of the expenditure disbursement.

Description of Expense

As of August 31, 2022, or UM 1975 (4), the Oregon jurisdictional Solar PV Program Rider balance was approximately \$259,000. The Company estimated net amounts deferred beginning September 2022 through August 2023 would be approximately \$68,000, for a total balance of approximately \$327,000.

As of August 31, 2023, or UM 1975 (5), the Oregon jurisdictional Solar PV Program Rider balance was approximately \$379,000. The Company estimates net amounts deferred beginning September 2023 through August 2024 to be approximately \$111,000, for a total balance of approximately \$490,000.

Reason for Deferral

ORS 757.365(10) and OAR 860-084-0380 provide that all prudently incurred costs associated with the Pilot Program are recoverable in rates. In Order No. 10-198, the Commission authorized Idaho Power “to recover 100 percent of its costs through a rider mechanism.”¹

Proposed Accounting

The Company records revenues and expenses that would be subject to the deferral order in accordance with the Code of Federal Regulations to the Federal Energy Regulatory Commission Account 254 (Regulatory Liability).

In addition, costs associated with employee time spent on the program are recorded to the deferral account for tracking purposes only and are subsequently reclassified.²

Information Related to Future Amortization

- Earnings Review – the Commission will review earnings in accordance with ORS 757.259(5) at the time of amortization. Staff does not recommend an earnings test at time of amortization.
- Prudence Review – A prudence review will be conducted prior to amortization and should include a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – Staff recommends no sharing mechanism.

¹ Order No. 10-198 at 21.

² Staff's Data Request No.4.

- Rate Spread/Design – The deferred amortization amount is proposed to be spread on an equal cents percentage of customer base rate components, as specified in Schedule 93.
- 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 Idaho Power is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit.

Conclusion

Staff reviewed the Company’s application and accompanying workpapers, and the Staff data requests issued. The application meets the requirements of ORS 757.259 and OAR 860-027-0300 and is an appropriate use of the deferral statute.

Staff recommends the application be approved.

The Company has reviewed this memo and has no objection.

PROPOSED COMMISSION MOTION:

Approve Idaho Power’s two requests to defer Solar Photovoltaic Pilot Program revenues and expenses for the period October 1, 2022, through September 30, 2023, and the period October 1, 2023, through September 30, 2024, respectively.