ITEM NO. CA6

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 29, 2022

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** ____N/A____

DATE: November 17, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: PACIFIC POWER:
(Docket No. UM 1981 (4))
Requests reauthorization of deferred accounting for costs related to the Oregon Community Solar Program.

STAFF RECOMMENDATION:

The Commission should approve Pacific Power's (PacifiCorp of Company) application for reauthorization of deferred accounting of costs related to the Oregon Community Solar Program (CSP) for the 12-month period beginning September 29, 2022.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's application to defer for later ratemaking treatment of O&M start-up expenses related to the development of Community Solar.

Applicable Law

ORS 757.386 and OAR 860-088-0160 permit utilities to recover all start-up costs prudently incurred during the development or modification of the CSP in electric company rates. Further, the rules specify that these costs include both: start-up Program Administrator (PA) and Low-Income Facilitator (LIF) costs; and Utilities' prudently incurred start-up costs.

OAR 860-027-0300(4)(a)-(b) includes the requirements for an application of reauthorization of deferred accounting. PacifiCorp must include the requirements required for its initial application, as well as (a) a description and explanation of the entries in the deferred account to the date of the application for the reauthorization; and (b) the reason for continuation of deferred accounting.

The Commission most recently approved the PacifiCorp's application for deferred accounting in Order No. 21-418.

Analysis

Background
The Community Solar program enables utility customers to subscribe to or purchase the output of solar photovoltaic energy projects across Oregon. The rules governing the program require the utilities to conduct activities in support of the program. As the CSP is still in the start-up phase, the utility activities largely include program development.

ORS 757.386(7)(c) and OAR 860-088-0160(1) authorize utilities to recover costs from ratepayers that are prudently incurred during the start-up phase of the CSP. As the CSP becomes operational, the ongoing costs related to the program will be collected from program Participants. On November 27, 2018, November 28, 2019, November 20, 2020, and September 29, 2021, PacifiCorp filed an application for approval to defer accounting costs related to the CSP, dockets UM 1981,1981(1),1981(2), and 1981(3). The Commission approved the application in Order No.18-478, Order No. 20-057, Order No. 21-048, and Order No. 21-418, respectively.

Current Filing modification
In this filing PacifiCorp requested the inclusion of the incremental costs associated with subscribed energy as CSP start-up costs for deferred accounting treatment.

The Company established and maintains a balancing account to record costs related to the CSP, along with related interest at the Modified Blended Treasury Rate, consistent with the treatment of interest rates described in Order No. 08-263 as modified by Order No. 10-279.

Proposed Accounting
PacifiCorp will record deferred Community Solar start-up costs by crediting Federal Energy Regulatory Commission (FERC) account 906, Customer Service and Informational Expenses, and other relevant FERC expense accounts, and debiting the Community Solar Start-Up Costs balancing account, in FERC Account 182.3, Other Regulatory Assets. The deferral balance will be reduced monthly by the amount

collected under Schedule 207, Community Solar Star-Up Cost Recovery Adjustment. A carrying charge calculated at the current Modified Blended Treasury rate will be recorded each month on the deferral balance.

Estimated Deferral Amounts in Authorized Period
PacifiCorp estimates that its internal administration costs for Community Solar start-up will be $150,000 for 2023 and does not estimate any billing system upgrade (capital) costs in 2023.

PacifiCorp estimates Program Administration team costs to be $1,080,000 in 2023 based on its share (39.5 percent) of the State of Oregon's contract with Energy Solutions, the Program Administrator. Some portion of these costs will be paid by Community Solar Participants and Project Managers once community solar projects come online and begin billing, but the timing and magnitude of that contribution is uncertain at this time.

Description of Expense
Future amortization will be the start-up costs of Community Solar.
OAR 860-088-0160(1) defines start-up costs as:

1) Costs associated with the Program Administrator and Low-Income Facilitator; and

2) Each electric utility's prudently incurred start-up costs associated with implementing the Community Solar Program.

   PacifiCorp anticipates its start-up costs consisting of:

   - Capital costs consisting of billing system upgrade costs that were not otherwise captured in PacifiCorp's general rate case;

   - Internal administration costs which include internal program management, billing system operating costs, training and support for customer support representatives, and customer outreach costs;

   - External administration costs which include funding of the Program Administrator and Low-Income Facilitator; and

- Incremental subscribed energy costs, which represent the difference in energy costs between the bill credit rate and the cost of energy PacifiCorp would otherwise purchase from another source.

Information Related to Future Amortization

- Earnings Review – Earnings Review – Cost recovery associated with the CSP start-up may be subject to an earnings review; however, Staff is not recommending an earnings test be applied in this instance.

- Prudence Review –The prudence review should include verification of the accounting methodology used to determine the final amortization balance.

- Sharing Percentages – All prudently incurred costs are to be recoverable by PAC with no sharing mechanism.

- Rate Spread/Design – Applicable costs will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent generation revenue applied on a cents-per-kilowatt hour basis.

- Three Percent Test (ORS 757.259(7) and (8)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. This test limits 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. The amortization of the CSP start-up costs will be subject to the three percent test.

<u>Conclusion</u>

Staff concludes that PacifiCorp's reauthorization request meets the requirements of ORS 757.259 and OAR 860-027-0300, and is consistent with PacifiCorp's initial application for deferral. The CSP is still in the start-up phase, and cost deferral continues to be appropriate.

The Commission should reauthorize PacifiCorp to defer the start-up costs associated with the CSP.

The Company has reviewed this memo and agrees with Staff's recommendation.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's Application for Reauthorization of Deferred Accounting of Costs Related to the Oregon Community Solar Program for the 12-month period beginning September 29, 2022.