

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 16, 2024**

REGULAR  CONSENT  EFFECTIVE DATE \_\_\_\_\_ N/A

DATE: April 11, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Russell Beitzel **SIGNED**

SUBJECT: PACIFIC POWER:  
(Docket No. UM 1981(5))  
Requests reauthorization of deferred accounting for costs related to the Oregon Community Solar Program.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Pacific Power's (PacifiCorp or 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, 2023, ending September 28, 2024.

**DISCUSSION:**

Issue

Whether the Commission should approve PacifiCorp's application to defer for later ratemaking treatment of 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.

ORS 757.386 permits the utilities to recover costs associated with a Community Solar Program Power Purchase Agreement.

In Order No. 22-310 the Commission approved PAC's methodology for calculating the incremental cost of Subscribed Energy in the Community Solar Program as well as the Company's approach of recovering costs through a deferral.

### Analysis

#### *Background*

On November 27, 2018, PacifiCorp filed an application for approval to defer costs related to the CSP, Docket No. UM 1981. The Commission approved the application in Order No. 18-478. PacifiCorp has filed for annual reauthorizations since Order No. 18-478, which have been approved by the Commission.

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. 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), 1981(3), and 1981(4). The Commission approved the application in Order No. 18-478, Order No. 20-057, Order No. 21-048, Order No. 21-418, and Order 22-467, respectively.

Thus, on September 29, 2023, the Company submitted an order reauthorizing deferral of costs related to the Oregon Community Solar Program (CSP). PacifiCorp respectfully requests reauthorization for 12 months beginning September 29, 2023 (Deferral Period).

#### *Reason for Deferral*

ORS 757.259(2)(e) allows the deferral of identifiable utility expenses in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne and benefits received by customers.

ORS 757.386(7)(c) and OAR 860-088-0160(1) permit utilities to recover all start-up costs prudently incurred during the development or modification of Community Solar in electric company rates.

In addition, in this application the Company seeks the use of a balancing account to match the costs borne and benefits received by customers.

*Proposed Accounting*

The Company will record deferred CSP 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 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.

*Description of Expense*

Expenses include costs associated with the Program Administrator and Low-Income Facilitator, the electric utility's prudently incurred start-up costs associated with implementing the Community Solar Program, and incremental subscribed energy costs.

The Company anticipates its costs including:

1. Capital costs consisting of billing system upgrade costs that were not otherwise captured in PacifiCorp's general rate case;
2. Internal administration costs which include internal program management, billing system operating costs, training and support for customer support representatives, and customer outreach costs;
3. External administration costs which include funding of the Program Administrator and Low-Income Facilitator; and
4. Incremental subscribed energy costs, which represent the difference in energy costs between the bill credit rate and cost of energy PacifiCorp would otherwise purchase.

*Estimate of Amounts*

The Company estimates that its internal administration costs for Community Solar start-up will be \$150,000 for the Deferral Period and does not anticipate any billing system upgrade (capital) costs during the Deferral Period.

The Company, also, estimates Program Administration team costs to be \$1,080,000 over the Deferral Period 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 CSP Participants once community solar projects come online and begin billing, but the timing and magnitude of that contribution is uncertain at this time.

The Company in addition, estimates the incremental subscribed energy costs for the Deferral Period to be \$403,209, which includes six operational CSP projects, representing approximately 2.5 megawatts of capacity, and an additional 16 pending projects with projected Commercial Operation Dates (CODs) that fall within the Deferral Period.

**Expected Community Solar Start-Up Costs**  
**(\$000s)**

	<b>Deferral Period</b>
PacifiCorp Administration Costs	\$150
Billing IT Costs (Capital)	\$0
Program Administration Team	\$1080
Incremental Subscribed Energy Costs	\$403

*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.

### Conclusion

Staff concludes that PacifiCorp’s reauthorization request meets the requirements of ORS 757.259 and OAR 860-027-0300 and is consistent with the Company’s initial application for deferral.

The Company has reviewed this memo and voiced no concerns.

### **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, 2023, ending September 28, 2024.