

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 20, 2020**

REGULAR **CONSENT** **EFFECTIVE DATE** September 4, 2020

DATE: October 5, 2020

TO: Public Utility Commission

FROM: Ming Peng

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2113)
PGE's application for deferred accounting of costs and revenues associated with the Beaverton Public Safety Center Energy Storage Microgrid Pilot.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Portland General Electric Company's (PGE or Company) application for deferred accounting of costs and revenues associated with the Beaverton Public Safety Center (BPSC) Energy Storage Microgrid Pilot, for the 12-month period beginning September 4, 2020.

DISCUSSION:

Issue

Whether the Commission should approve PGE's application for deferred accounting of costs and revenues associated with the BPSC Energy Storage Microgrid Pilot, for the 12-month period beginning September 4, 2020.

Applicable Law

Pursuant to ORS 757.259(2)(e), the Commission may authorize deferral of identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

OAR 860-027-0300 sets forth the requirements for contents of deferred accounting applications.

Analysis

Background

PGE submitted this filing to the Commission on September 1, 2020, pursuant to ORS 757.259, OAR 860-027-0300, HB 2193, and Commission Order Nos. 18-290 (Docket No. UM 1856), 20-147 (Docket No. UM 1909), and 20-279 (Docket No. UE 370, UE 372). PGE requests authorization to defer the costs associated with the BPSC Energy Storage Microgrid¹ Pilot (BPSC Pilot or Pilot). Deferred amounts will be amortized pursuant to an automatic adjustment clause.

House Bill 2193 (HB 2193) requires PGE to submit to the Commission a proposal to develop energy storage systems and procure any authorized projects by January 1, 2020. The storage systems must have the capacity to store at least 5 MW of energy, and the total capacity acquired may not exceed one percent of an electric company's peak load in 2014, unless the project has statewide significance. HB 2193 also requires that each energy storage proposal be accompanied by the electric company's evaluation of storage potential in its system. HB 2193, Section 2(3) provides that an electric company may recover in the electric company's rates all costs prudently incurred by the electric company in procuring one or more qualifying energy storage systems under this section, including any above-market costs associated with procurement.

In Order No. 18-290 (Docket No. UM 1856), the Commission adopted a stipulation outlining an agreed approach to the development of five energy storage projects by PGE in accordance with HB 2193's requirements, including the BPSC and ARC. Pursuant to the stipulation, the overnight capital costs² are capped at a maximum allowable cost of \$2.0 million for both the BPSC and ARC, as approved by Commission Order No. 18-290.

PGE proposed cost recovery for its BPSA and ARC projects in OPUC Docket No. UE 370, which was subsequently consolidated with OPUC Docket No. UE 372,

¹ A microgrid is a small-scale electric grid that operates in conjunction with a utility's overall grid through a network of on-site generation, energy storage, and integrated controls. Under normal conditions, it is connected to the main grid. If there is a disturbance in the main grid, the microgrid resources provide stability support. If the main grid has an outage, the microgrid isolates itself and operates as an independent "island." (Order No. 20-279).

² Overnight capital describes the total capital investment as if the asset were delivered on a single day. It excludes interest costs associated with the construction period, such as Allowance for Funds During Construction (Order No. 18-290).

the Company's Renewable Adjustment Clause (RAC) proceeding for recovery of its Wheatridge project. In the consolidated case, the Commission issued Order No. 20-279 in which it adopted a stipulation that allowed for PGE to propose a cost recovery mechanism for energy storage microgrids in a new proceeding. The parties agreed to support recovery pursuant to an automatic adjustment clause (AAC), supported by a deferral, restricted to incremental project costs made in compliance with HB 2193, and approved by the Commission in Docket No. UM 1856. PGE made its filing in this docket in accordance with the stipulation.

In this docket, the Company requests approval of a deferral to track costs associated with the BPSC Energy Storage Microgrid Pilot, which went into service on September 4, 2020. The Company filed its deferral request on September 1, 2020.

PGE Requests in This Application

The Company requests approval to defer incremental operations and maintenance (O&M – including PGE labor) and capital-related costs associated with the Pilot. These costs include, but are not limited to, O&M, income taxes, property taxes, return of and return on investment, and other fees and costs associated with the Microgrid Energy Storage Pilot. PGE has explained that in accordance with Order No. 18-290, no administrative or evaluation costs associated with the entire portfolio of battery storage projects are requested for deferral.”³

Deferral Period

The deferral period in this case is the 12-month period beginning on September 4, 2020, the date that the BPSC project went into service. Staff anticipates that a separate deferral filing will be made if and when the ARC project is in-service.

PGE's Summary of Filing Conditions

- a. Earnings Review – PGE's position is that cost recovery associated with the Pilot would not be subject to an earnings review, since it would be subject to an automatic adjustment clause. An earnings review was not addressed by the parties to the UE 370 stipulation, and will be subject to determination when PGE requests amortization.
- b. Prudence Review – PGE will submit Pilot evaluation reports that will provide detailed cost summaries. A prudence review can also be performed during the Pilot's operations.
- c. Sharing – PGE's position is that all prudently incurred cost and benefits will be collected from customers with no sharing mechanism. Sharing was not

³ UM 2113 PGE's Application for Deferred Accounting, page 4.

addressed by the parties to the UE 370 stipulation, and will be subject to determination when PGE requests amortization.

- d. Rate Spread/Rate Design – PGE’s position is that applicable costs will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of revenue applied on a cents-per-kWh basis. Rate Spread and Rate Design were not addressed by the parties to the UE 370 stipulation, and will be subject to determination when PGE requests amortization.
- e. Three percent test (ORS 757.259(6)) – The amortization of the Pilot's deferred costs will be subject to the three percent test in accordance with the 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.

Conclusion

Staff concludes that the Company's application for authorization of deferred accounting of costs and revenues associated with the Beaverton Public Safety Center Energy Storage Microgrid Pilot is consistent with ORS 757.259, OAR 860-027-0300, and Order No. 20-279, and therefore, should be approved.

PROPOSED COMMISSION MOTION:

Approve PGE’s application for deferred accounting of costs and revenues associated with the Beaverton Public Safety Center Energy Storage Microgrid Pilot, for the 12-month period beginning September 4, 2020.