ORDER NO. 20-195

ENTERED Jun 18 2020

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1482(10)

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application for Reauthorization to Defer Expenses Associated with a Photovoltaic Volumetric Incentive Rate Pilot Program.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on June 16, 2020, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:

Nolan Moser
Chief Administrative Law Judge

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 16, 2020

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** __May 7, 2020__

DATE: June 8, 2020

TO: Public Utility Commission

FROM: Mitchell Moore

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1482(10))
Requests reauthorization to defer costs associated with the Photovoltaic Volumetric Incentive Rate Pilot.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Portland General Electric's (PGE or Company) request for reauthorization to defer costs associated with the Photovoltaic Volumetric Incentive Rate Pilot (PV VIR) for the 12-month period beginning May 7, 2020, subject to the following condition:

- PGE will continue to maintain a balancing account for actual costs based upon the allowable costs identified in OAR 860-084-0280 through 0360, and be able to demonstrate how such costs are incremental to any costs currently included in rates.

DISCUSSION:

Issue

Whether the Commission should reauthorize deferral of costs associated with its PV VIR pilot.

Applicable Law

Pursuant to ORS 757.365(10) all prudently-incurred costs associated with compliance with ORS 757.365 (pilot program for small solar energy systems) are recoverable in the utility's rates. Under ORS 469A.120(1) and (3), all prudently incurred costs associated with the renewable portfolio standards are recovered through an automatic adjustment clause. ORS 757.259 and OAR 860-027-0300 are the laws that concern deferrals and the automatic adjustment mechanism.

The Company makes this filing pursuant to ORS 757.365(10), 469A.120(1) and (3), or 757.259 and OAR 860-027-0300. Deferral of these OSIP costs was granted by the Commission in OPUC Order No. 11-059 and has been annually reauthorized, most recently by Order No. 19-283.

Analysis

PGE requests reauthorization to defer the costs and expenses associated with the photovoltaic feed-in tariff pilot program, including payments to owners of qualified systems for generation (i.e. a volumetric incentive rate) and costs associated with the administration of the pilot program. The Company will seek amortization of the deferred amount in a future Commission proceeding. This deferral is necessary to allow the Company to recover costs associated with compliance with ORS 757.365, as allowed by ORS 757.365(10).

The PV VIR was established in compliance with the rules adopted in Docket No. AR 538. Commission Order Nos.10-198, 10-304, 11-089, and 11-281 in Docket No. UM 1452 set out additional requirements. The Pilot provides payments to retail electric customers for electricity generated by permanently installed solar photovoltaic energy systems (i.e. a volumetric incentive rate) through PGE Schedules 215, 216, and 217.

Description of Utility Expense:
The expense to be deferred is the prudently incurred incremental costs to administer the program and include: volumetric incentive payments and/or retail bill offsets to participants; administrative costs associated with the PV VIR program operations; data collection; development costs for billing and website; customer surveys; and regulatory reporting requirements. Credits to the balancing account include: deposit forfeitures; interconnection application fees; customer charges; assignment fees; and the avoided energy value. Amounts in the balancing account accrue interest at the Commission-authorized rate of return for deferred accounts.

Reason for Deferral:
The incremental costs associated with compliance with ORS 757.365 are not currently included in rates. As the statute provides that prudently incurred costs associated with compliance with the statute are recoverable in rates, the deferral is necessary to

accomplish that outcome. Continuation of this deferral will minimize the frequency of rate changes or fluctuations and match appropriately the costs borne by and benefits received by customers.

Proposed Accounting:
PGE proposes to record the deferred amount as a regulatory asset in FERC Account 182.3, Other Regulatory Assets with a credit to FERC Account 407.4, Regulatory Credits. In the absence of a deferred accounting order from the Commission, PGE would continue to record costs associated with the Pilot to FERC Account 903 Customer Records and Collection Expenses, and FERC Account 908 Customer Assistance expenses.

Estimate of Amounts:
PGE estimates incremental costs may range from $7 to $8 million for the 12-month deferral period, largely consisting of volumetric incentive rate (VIR) payments to participants as more systems are energized.

Information Related to Future Amortization:

- Earnings review – Pursuant to ORS 757.259(5), amortization of this deferral does not require an earnings review as it is subject to an automatic adjustment clause under ORS 757.210(1). See also OAR 860-084-0060 and ORS 469A.120.

- Prudence Review – A review to determine that costs were prudently incurred must be done prior to amortization. The review should include the 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 – In Docket No. UE 237, the Parties agreed that Schedule 137 costs be allocated to each schedule based on an equal percent of generation revenue applied on a cents per kilowatt-hour basis.

- 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 PGE is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. The limit for these deferrals will be determined at the time of amortization.

Conclusion

As PGE's application to defer is appropriately made under the statutes, and the application meets the requirements of OAR 860-027-0300, Staff recommends approval with the condition included below in the Proposed Commission Motion.

PROPOSED COMMISSION MOTION:

Allow PGE to track its actual costs related to the Photovoltaic Volumetric Incentive Rate Pilot Program using deferred accounting pursuant to ORS 757.259(2)(e) for the 12-month period beginning May 7, 2020, subject to the following condition:

- PGE will continue to maintain a balancing account for actual costs based upon the allowable costs identified in OAR 860-084-0280 through 0360, and be able to demonstrate how such costs are incremental to any costs currently included in rates.

PGE UM 1482(10) PV VIR