

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2113(3)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Reauthorization to Defer
Costs Associated with Beaverton Public
Safety Energy Storage Microgrid Pilot.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on December 13, 2022, 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:

A handwritten signature in blue ink, appearing to read "Nolan Moser".

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.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 13, 2022**

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

DATE: December 5, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2113(3))
Requests re-authorization deferred accounting of costs associated with Energy Storage Pilots.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) applications for authorization to defer incremental costs of Energy Storage Pilots not otherwise included in rates for two 12-month periods, the first being the twelve-month period beginning on September 1, 2021 through August 31, 2022; the second beginning on September 1, 2022 through August 31, 2023, subject to the condition set forth in Staff's memorandum.

DISCUSSION:

Issue

Whether the Commission should approve the Company's request for authorization to defer costs of Company's Storage Pilots.

Applicable Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation into rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include, "[i]dentifiable 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 fluctuations of rate levels or to

Docket No. UM 2113(3)
December 5, 2022
Page 2

match appropriately the costs borne by and benefits received by ratepayers."
ORS 757.259(2)(e).

In OAR 860-027-0300(1)(b), "Deferred Accounting" means recording the following in a balance sheet account, with Commission authorization for later reflection in rates:

- A. Electric companies, gas utilities, and steam heat utilities: current expense or revenue associated with current service, as allowed by ORS 757.259; or
- B. Large telecommunications utilities: an amount allowed by ORS 759.200.

If a deferral under ORS 757.259 or ORS 759.200 is reauthorized, the reauthorization expires 12 months from the date the authorization become effective.

In OAR 860-027-0300(3), the Commission has set the requirements for the contents of deferred accounting applications. Applications for reauthorization must include a description and explanation of the entries in the deferred account up to the date of the application for reauthorization, as well as the reason for continuation of deferred accounting.

Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Analysis

Background

PGE seeks to defer incremental costs of three energy storage pilot projects. For purposes of this application, incremental costs mean costs of the project that exceed the costs assumed for the purposes of PGE's base rates. PGE submitted two filings. The first filing was on September 1, 2021, pursuant to ORS 757.259, OAR 860-027-0300, and House Bill (HB) 2193 (2015).¹ The second filed deferral request was on August 31, 2022, where PGE notes that its deferral filing in 2021 was never acted on. This is why Staff is recommending in this memorandum that two deferral periods be approved in this public meeting memo.

HB 2193 requires public utilities to acquire energy storage projects subject to Commission requirements and approval and specifies that the prudent costs of the projects are eligible for recovery.

In accordance with HB 2193 and Docket No. UM 1751, which adopted Commission requirements related to acquisition of energy storage pilots, PGE filed its Energy

¹ 2015 Oregon Laws Chapter 312.

Docket No. UM 2113(3)
December 5, 2022
Page 3

Storage Proposal and Final Potential Evaluation on November 1, 2017, for multiple projects. PGE's Energy Storage Proposal was evaluated in Docket No. UM 1856 (UM 1856) and approved through Commission Order No. 18-290, subject to conditions.

On September 1, 2020, PGE submitted its application to defer costs associated with a subset of the projects approved in Order No. 18-290, the Microgrid Storage Pilot.

The microgrid deferral was subsequently approved by Commission Order No. 20-370 in Docket No. UM 2113.

PGE now proposes to expand the scope of UM 2113 to include deferral of all Energy Storage Pilots as approved in UM 1856 with the exception of Residential Energy Storage, which is being deferred through Docket No. UM 2078. Under PGE's recently adopted automatic adjustment clause for Energy Storage Pilots, (PGE Schedule 138) the costs of Energy Storage Pilot projects are to be deferred and included in a balancing account, which is amortized to customers.

Projects

Port Westward 2

The Port Westward 2 Pilot entails the installation of a five MW/two-hour BESS at the Port Westward 2 generation facility. This five MW BESS will be coupled with PGE's existing plant control system and will be operated in conjunction with the plant's existing reciprocating engines to supply at least 18.9 MW of spinning reserve when called upon. The overnight capital costs are capped at a maximum allowable cost of \$5.3 million (2017 dollars) for this project, as approved by Commission Order No. 18-290.

Microgrids

PGE aims to create a microgrid program that provides reliability and resiliency to customers while meeting their goals for clean energy solutions. As part of the microgrid program, PGE installed energy storage systems to create two behind-the-meter customer microgrids. The BPSC energy storage microgrid is a 250 kW/4-hour system and the Anderson Readiness Center (ARC) energy storage microgrid is a 500 kW/2-hour system. Both energy storage microgrids include Battery Energy Storage Systems (BESS) and on-site solar photovoltaic generating resources and diesel generators. The overnight capital costs for both the BPSC and ARC are capped at a maximum allowable cost of \$2.0 million (2017 dollars) as approved by Commission Order No. 18-290.

Coffee Creek Substation

PGE proposes to develop and build a 17-20 MW/4-hour energy storage system on PGE-owned property adjacent to the existing Coffee Creek Substation. This system will

Docket No. UM 2113(3)
December 5, 2022
Page 4

be able to provide capacity, energy and ancillary services to our system during normal operations, as well as mitigate outages caused by asset failure or other system issues during outage conditions. PGE will control and operate the project for system needs and will have the ability to dispatch the system as needed. The overnight capital costs for this project are capped at a maximum allowable cost of \$30.1 million (2017 dollars) as approved by Commission Order No. 18-290.

Baldock Mid-Feeder

This project will develop and build a 2 MW/2-hour energy storage system adjacent to PGE's Baldock Solar facility and will be interconnected to the Canby-Butteville feeder. The final project energy rating (MWh) will be determined based on the proposal pricing received and space availability. By implementing these projects, PGE will gain knowledge and experience with planning, installation, operations, maintenance, and informing larger scale BESS deployment

PGE states that by implementing these projects, PGE will gain knowledge and experience with planning, installation, operations, maintenance, and informing larger scale BESS deployment. To address cost recovery, PGE requests approval to defer capital-related costs and certain incremental expenses associated with the Pilots.

Reason for Deferral

PGE states that the granting of this Application will minimize the frequency of rate changes and/or match appropriately the costs borne by, and benefits received by, customers. The approval of the Application will support the use of an automatic adjustment clause rate schedule, which will provide for changes in rates reflecting incremental costs associated with the Pilot.

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 456, Other Revenue. In the absence of a deferred accounting order from the Commission, PGE would charge the costs to the applicable FERC accounts.

Estimated Deferrals in Authorized Period

Associated deferrals will provide cost recovery for all referenced storage projects from their in-service dates until the costs are incorporated in a future PGE general rate case.

PGE has included the capital costs for three of the projects (BPSC, Port Westward 2, and ARC) in its 2022 general rate case, Docket No. UE 394. These projects were placed in service on the dates shown in the table below. The following table also provides the capital and O&M costs for each project.

Docket No. UM 2113(3)
 December 5, 2022
 Page 5

Name	In-Service Date	Total Capital Costs (Millions)	Annual O&M Costs
<i>BPSC</i>	<i>September 4, 2020</i>	<i>\$1.3</i>	<i>\$50,000</i>
<i>Port Westward 2</i>	<i>October 2021</i>	<i>\$6.3</i>	<i>\$150,000</i>
<i>Coffee Creek Substation</i>	<i>Estimated Q2 2024</i>	<i>Capital Cost Cap of \$30.1</i>	<i>Estimated \$400,000</i>
<i>Baldock Mid-Feeder</i>	<i>Estimated Post 2024</i>	<i>Capital Cost Cap \$2.5</i>	<i>No estimate currently</i>
Total		\$40.2	\$600,000

The ARC project is reported by PGE to be entirely in the UE 394-approved rates and so no deferral is requested for the ARC project. PGE proposes to only recover via Schedule 138 the incremental costs of the BPSC and PW2 projects incurred prior to May 9, 2022, the effective date of UE 394, and the incremental costs of the Coffee Creek and Baldock projects, should these projects come online before PGE's next general rate case effective date.

Information Related to Future Amortization

- Earnings Review – Staff contemplates recommending that cost recovery associated with this deferral will be subject to an earnings review. PGE does not agree with this potential Staff recommendation.
- Prudence Review – Should be performed by the Commission Staff as part of their review of amortization of the costs under Schedule 138.
- Rate Spread/Rate Design – Revenues could be allocated to each cost-of-service schedule with the basis to be determined prior to amortization likely along the lines of costs being allocated to the function (distribution, transmission and generation) associated with the project. PGE recommends an equal cents of revenue applied on a cents per kWh basis.
- Sharing – This deferral is not subject to a sharing mechanism.
- 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 (with exceptions) 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.

Docket No. UM 2113(3)
December 5, 2022
Page 6

Staff Analysis and Conditions

Staff believes PGE's request to defer incremental costs of the energy storage pilot projects satisfies the criteria for a deferral and is necessary to support the automatic adjustment clause (Schedule 138) approved in PGE's most recent rate case. However, in reviewing this request for deferral, Staff noted that Schedule 138 lacks detail regarding the amortization of deferred incremental costs of the pilot projects. Currently, Schedule 138 has no information as to when or if PGE will update the rates set forth in the tariff to amortize the balancing account established under that Schedule. Staff believes there must be review process associated with costs amortized under the automatic adjustment clause to ensure the amortized costs are prudent.

Staff has conferred with PGE and reached agreement with PGE as to when PGE will seek to modify Schedule 138 rates. PGE will make an annual Advice Filing no later than November 1 of each year setting forth the update to Schedule 138 rates for the next calendar year. The filing will be accompanied by information regarding the deferred costs to allow Staff and stakeholders to review the prudence of the costs to be amortized under Schedule 138.

In the event PGE concludes an annual update to the rates in Schedule 138 is not necessary to appropriately amortize the anticipated amount in the balancing account in the following calendar year, PGE will still make a filing to the Commission no later than November 1 with information showing the prudence of deferred costs and eligibility for amortization.

Conclusion

Based on Staff's review of PGE's application to request authorization to defer, for future inclusion in customer rates, the revenue associated with the cost associated with the energy Storage Pilots, Staff recommends PGE's application be approved subject to Staff's recommended condition (Condition):

No later than November 1 of each year, PGE will make a filing regarding the amounts deferred inclusion in the balancing account established under PGE Schedule 138. If PGE intends to seek a change of the rates of amortization set forth in Schedule 138, PGE will make an advice filing accompanied by information showing the prudence of the deferred costs. If PGE does not intend to seek a rate change under Schedule 138, PGE will file a report showing the prudence of the deferred costs the eligibility of the costs for amortization.

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

Docket No. UM 2113(3)
December 5, 2022
Page 7

PROPOSED COMMISSION MOTION:

Approve PGE's deferral of the incremental costs of Energy Storage Pilot projects not otherwise included in rates for two 12-month periods, the first being the twelve-month period beginning on September 1, 2021 through August 31, 2022; the second beginning on September 1, 2022 through August 31, 2023, subject to the condition set forth in Staff's memorandum.

PGE UM 2113 (3) Energy Storage Deferral