

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1977(4)(5)

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY,

Application for Reauthorization to Defer  
Start-up Costs Associated with the  
Community Solar Program  
Implementation.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its public meeting on November 26, 2024, 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:



**Alison Lackey**  
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. CA8

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 26, 2024**

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

**DATE:** October 30, 2024

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

**THROUGH:** Caroline Moore, Scott Gibbens, and Michelle Scala **SIGNED**

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket Nos. UM 1977(4) and UM 1977(5))  
Requests reauthorization of deferred accounting for start-up costs  
associated with the Community Solar Program Implementation.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Portland General Electric's applications to reauthorize deferred accounting of start-up expenses related to the Oregon Community Solar Program (CSP or Program) for the 12-month periods beginning: a) November 8, 2022, and ending November 7, 2023 (UM 1977(4)), and b) November 8, 2023, and ending November 7, 2024 (UM 1977(5)), respectively.

**DISCUSSION:**

Issue

Whether the Commission should approve Portland General Electric's application to defer for later rate-making treatment of O&M start-up costs related to the development of the CSP.

Applicable Law

Portland General Electric (PGE) submits this deferral application in accordance with ORS 757.259 and OAR 860-027-0300 seeking an order from the Oregon Public Utility Commission (OPUC) that authorizes the company to defer start-up costs related to the CSP in such a way that will support an automatic adjustment clause rate schedule with

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an associated balancing account mechanism to track the ongoing costs and recovery amounts for the O&M start-up costs of the Program.

ORS 757.259 authorizes the Commission to allow a utility to defer expenses or revenues for later recovery in rates in order to minimize the frequency of rate changes or to appropriately match the costs and benefits to customers. OAR 860-027-0300 sets requirements for deferral applications for energy and large telecommunications utilities. 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.

### Analysis

#### *Background*

Pursuant to Section 22 of Senate Bill (SB) 1547, the Public Utility Commission of Oregon initiated Docket No. AR 603, during which multiple facilitated workshops, discussions, and rounds of comments from stakeholders on draft rules, to establish a program for procuring electricity from community solar projects, occurred. Commission Order No.17-232 adopted rules to establish a framework for CSP that the Commission acknowledged would be supplemented and further developed in future proceedings, including the development of a Program Implementation Manual.<sup>1</sup>

The Commission also opened a separate Docket No. UM 1930 to address non-rulemaking matters related to the implementation of CSP.

The CSP framework established by the Commission provides for a start-up phase for program development and an on-going phase once the CSP is fully operational.

In accordance with SB 1547 Section 22(7)(c) and OAR 860-088-0160 regarding CSP funding, electric utilities will recover start-up costs incurred during the development or modification of the CSP, the start-up phase, through electric utility prices.

The Company is currently recovering CSP start-up costs through an automatic adjustment clause in its tariff Schedule 136.

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<sup>1</sup> Order No. 19-438.

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Additionally, besides the fourth reauthorization filed on November 7, 2022, for which this memo addresses, the Company also submitted a new application UM 1977(5). Submitted on November 7, 2023. This memo addresses both applications. Docket No. UM 1977(4) covers the 12-month period beginning November 8, 2022. Docket No. UM 1977(5), filed on November 7, 2023, covers the 12-month period beginning November 8, 2023. As noted in the November 8, 2023 application, PGE notes that the Commission had not yet taken action UM 1977(4), filed a year earlier.

#### *Estimate of Amounts*

As defined in OAR 860-088-0160(1), start-up costs include costs associated with the Program Administrator (PA) and Low-Income Facilitator (LIF), and each electric utility's prudently incurred start-up costs associated with implementing the CSP.

Staff submitted to PGE Information Request on the amount of start-up costs prudently incurred prior to November 30, 2023. The Company, on December 22, 2023, responded:

- PGE incurred \$6,830,770 in total incremental costs associated with the Program Administrator and the Low-Income Facilitator as of November 30, 2023.
- PGE incurred \$285,120 in total incremental start-up costs associated with the implementation of the CSP as of November 30, 2023.

As of September 30, 2022, PGE had a debit balance in its deferral account of approximately \$2.9 million.<sup>2</sup> PGE expects to incur additional start-up costs in the deferral period that are not included in the 2022 general rate case revenue requirement forecast in Docket No. UE 394 because the Program is still in the start-up phase. PGE estimated at that time that its internal administration costs for the CSP start-up will be approximately \$50,000 for the 12-month deferral period. Additionally, while PGE also expects to incur costs associated with payments to be made to the Program Administrator during the deferral period, PGE cannot accurately estimate what amount of these payments would be deemed as start-up costs by the Commission.

For the 12-month period beginning November 8, 2023, and ending November 7, 2024, as of September 30, 2023, PGE had a debit balance in its deferral account of approximately \$1.6 million.<sup>3</sup> Because the Program is still in the start-up phase, PGE expects to incur additional start-up costs in the deferral period that are not included in the 2022 and 2024 general rate case revenue requirement forecasts in Docket Nos. UE 394 and UE 416, respectively.

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<sup>2</sup> Page 5 of PGE UM 1977(4) filing submitted November 7, 2022.

<sup>3</sup> Page 5 of PGE UM 1977(5) filing dated November 7, 2023.

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*Reason for Deferral*

PGE seeks deferred accounting treatment of the O&M start-up costs associated with the PA, LIF, and the implementation of the CSP pursuant to ORS 757.259(2)(e). The deferral is necessary as SB 1547 requires the implementation of the Program and allows utility recovery of all prudently incurred CSP start-up costs. The associated O&M start-up costs are not currently in base rates and granting this application would minimize the frequency of rate changes and appropriately match the costs and benefits to customers.

*Proposed Accounting*

PGE proposes to continue recording O&M start-up costs associated with the CSP 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 record costs to various FERC expense accounts.

Information Related to Future Amortization

- Earnings Review – Staff supports not Applying an earnings test on this deferral by reason of the expenditures.
- 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 PGE with no sharing mechanism.
- Rate Spread/Design – Applicable costs will be allocated to Cost of Service and Direct Access customers as approved by the Commission on October 20, 2020, in Docket No. ADV 1170 (PGE Advice No. 20-22). Staff supports PGE's proposal to use an equal percent base revenue applied on a cents per kWh basis. Direct Access Customers will be priced at the equivalent cost of service rate.
- 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.

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Conclusion

Staff concludes PGE's request to continue deferring the O&M start-up costs associated with the CSP meets the requirements of ORS 757.259 and OAR 860-027-0300, and should be approved by the Commission.

The Company has reviewed this memo and agrees with its contents.

**PROPOSED COMMISSION MOTION:**

Approve Portland General Electric's applications to reauthorize deferred accounting of start-up expenses related to the Oregon Community Solar Program (CSP) for the 12-month periods beginning: a) November 8, 2022, and ending November 7, 2023 (UM 1977(4)), and b) November 8, 2023, and ending November 7, 2024 (UM 1977(5)), respectively.

PGE UM 1977(4)(5) Comm Solar deferral